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# ***JPRS Report***

## **Soviet Union**

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***No 7, 8 & 9, July, August & September 1991***

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## **N O T I C E**

Beginning with the October 1991 issue, material from the Soviet monthly journal SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA [USA: ECONOMICS, POLITICS, IDEOLOGY] will no longer be published as a separate JPRS report. Articles from the journal will be included in the FOUO JPRS International Affairs Report, which will be available only to U.S. Government consumers and their contractors.

# Soviet Union

## USA: ECONOMICS, POLITICS, IDEOLOGY

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[The following are translations of selected articles in the Russian-language monthly journal SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA published in Moscow by the Institute of U.S. and Canadian Studies of the USSR Academy of Sciences. Refer to the table of contents for a listing of any articles not translated.]

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**Role of USSR and United States in Regulating Regional Conflicts (Some Implications of the Crisis in the Persian Gulf)**

914K0026A Moscow SSHA: *EKONOMIKA, POLITIKA, IDEOLOGIYA* in Russian No 7, Jul 91 (signed to press 16 Jul 91) pp 3-10

[Article by Aleksandr Konstantinovich Kislov, doctor of historical sciences, professor, and director of Peace Institute, and Aleksandr Vladimirovich Frolov, candidate of historical sciences and senior scientific associate at Peace Institute of USSR Academy of Sciences]

[Text] The USSR and the United States appear to have moved away from unyielding opposition to one another in regional conflicts and are seeking areas of agreement stemming from their national interests. In the perestroika period the interaction by the USSR and United States in these matters was sporadic and marginal—there was the Suez crisis of 1956, when the matter went beyond parallel actions, and the Arab-Israeli war of 1973, when joint documents were drafted, but this was certainly no guarantee of subsequent joint action. Now we can hope that this cooperation will be more lasting and stable. The foundation of this new edifice was laid gradually: the Geneva accords on Afghanistan in 1988 and the joint actions in support of political settlement in Namibia and Nicaragua. This has been a complex process. Suffice it to say that the implementation of the Afghanistan agreements is still far from complete. The Soviet approach to the recent war in the Gulf also seemed inconsistent to many, but despite some inconsistencies, Soviet policy did not deviate from its principal guidelines and it did reaffirm our adherence to the new thinking. We can probably say that the process of Soviet-American cooperation in the settlement of regional conflicts and of constructive interaction has begun.

Even in the Middle East, in a region where the United States "believed for a long time that the Soviet Union had no business there,"<sup>1</sup> important new approaches were revealed, just as they have been revealed in other areas of world politics. At a press conference on 16 April 1991, G. Bush declared that "the United States and USSR are facing a number of common problems and causes for concern. One of these is the situation in the Middle East, especially the refugee problem," which was engendered by the Gulf war. When we discuss the prospects for Soviet-American cooperation in zones of regional conflicts, we must consider the possibility of not only joint action, but also autonomous or parallel action in pursuit of agreed and announced goals (for example, the implementation of UN Security Council resolutions).

Not everyone, however, has the same opinion of this interaction. Some see it as a good sign, while others are worried that this interaction might be used to the detriment of small and medium-sized nations and that this might be an attempt to establish some kind of Soviet-American condominium.

The Gulf war was the latest of what might be described as sequential tests of the new Soviet-American approach. The crisis, which far transcended regional boundaries, proved once again that the USSR and the United States could forget earlier ideological disagreements and find a basis for mutual understanding in opposition to aggression even in the most complex situations. This was possible even though the Americans assigned priority to military solutions from the very beginning, while the Soviet Union concentrated on finding political and economic means of persuading the Iraqi leader to leave Kuwait.

Therefore, mutual understanding and even interaction do exist, but this gives rise to certain questions, particularly the following: How far can the interaction of the two great powers go in repulsing regional threats to the world community? To what extent are they willing to cooperate? What can they do and not do? Obviously, life itself, the process of renewal and perestroika, will introduce certain changes into the development of the relations between our countries and in the international security system as a whole. Nevertheless, this is probably a good time to judge the possible parameters of this interaction in the foreseeable future.

**Distinctive Features of the Present Stage**

The discussion of this topic should begin with the realization of two fundamentally important facts. First of all, the conflict in the Gulf almost immediately transcended the boundaries of a strictly regional problem, as some tried to portray it, and became a global problem. It is true that the confrontation in the Gulf tested the strength of the new political values and new political thinking that had recently been the subject of so much discussion. Furthermore, the crisis demonstrated the strong connections between all of the processes occurring on our small planet. As soon as Iraq seized Kuwait, several countries began to have serious problems with their oil supplies, trading was frenetic in the New York Stock Exchange, etc. Many issues of fundamental importance seemed more crucial than ever to the entire world community: the security of small countries, the non-proliferation of missiles, nuclear, chemical, and biological weapons, and other weapons of mass destruction, and the counteraction of totalitarianism and aggression.

In this way, the very concept of "national security" underwent a gradual transformation into "global security." It would be difficult not to agree with, for example, Professor M. Intriligator, director of the University of California's Center for International and Strategic Research, who stressed that "global interdependence and integration have made the confinement of security to our own borders impossible. Now it has to be viewed from the international vantage point or—what is even better—from the global standpoint."<sup>2</sup>

In the second place, Soviet foreign policy, including policy on regional conflicts, is beginning to be restructured in line with the vital interests of the country rather than certain dubious ideological postulates. The complex process of deideologizing this policy within the framework of the new political thinking has begun, with the main emphasis on common human values. Whereas Soviet foreign policy in any part of the world was never discussed in our country in the past, but was only given our hearty approval, now we are witnessing a broad range of views on various aspects of the world situation, an atmosphere of genuine pluralism in which many population strata and groups express their own, sometimes conflicting points of view, and in which supreme union and republic government bodies work out fundamentally new ideas about our foreign policy interests and priorities and coordinate them with the interests of the society.

The dissolution of the Warsaw Pact and the new developments in the NATO bloc suggest that the era of the two superpowers, the two world systems, and their regional confrontations, has come to an end. Our country and the other countries of Europe and the world must define the principles on which our foreign policy will be based under these new conditions.

In recent decades almost all discussions of security issues in our press were related in some way to the European continent and Soviet-American relations, and we did not worry much about the Saddam Huseyns of the world. Now it appears that the potential dangers are moving south—to the Middle East, the Persian Gulf, South Asia, Africa, and perhaps some other regions. International security will depend largely on the situation there. Something similar can be seen in the arms race. This process has been stopped in Europe, at least in terms of quantitative parameters, but it is still going on in other parts of the world, and it is assuming epidemic proportions in some unstable areas (the same Persian Gulf and Middle East).

The answer to the question of whose side we should take and on what we should rely in our approach to regional conflicts seems more or less obvious on the theoretical level: on a broad international consensus of all of the states and forces committed to democracy, legality, and order. Practicing the theory, however, could be quite difficult. Dogmas and old ideological blinkers sometimes force us to take two steps forward and one step back, but it is becoming increasingly obvious that we cannot take the side of those who have failed to acknowledge the importance of recent changes in the world and who still believe that they can solve their problems by using force and diktat.

During this transition period, many people in the USSR are understandably surprised by the new features of Soviet foreign policy, especially the approach to regional conflicts. Some invoke the lessons of Afghanistan and advocate something like isolationism or complete non-intervention; others are misinterpreting the new policies

of our state, as some speakers did at the Fourth Congress of People's Deputies of the USSR in December 1990, and are frightening the public by implying that this line of behavior will lead to another war for interests alien to the Soviet people; still others instinctively give in to the habit of "fierce condemnation of the intrigues of aggressive imperialist circles."

It is indicative that people in some countries, especially those headed by totalitarian regimes, still do not understand exactly what is going on in the USSR. Feeling a vague sense of danger, they are deliberately trying to introduce discord into the positive processes in East-West relations in many parts of the world. This might have been what Iraqi leader S. Husayn hoped to do, in the belief that ideological priorities would prevail in the USSR and that Moscow would refuse to take the Americans' side. This did not happen.

Shortly before the beginning of broad-scale military actions, M.S. Gorbachev made an unequivocal statement in Paris at the Conference on Security and Cooperation in Europe. "Any military invasion," he said, "wherever it may occur, now unites us instead of raising higher barricades."<sup>3</sup> He adhered to this line. Even though Soviet-American relations have cooled down perceptibly in recent months, we could hardly blame this completely on the USSR's position on the Gulf war. The events in the Baltic republics had a more negative effect on our relations, but this is a matter beyond the scope of this article.

#### **Partnership with the United States: Limits and Restrictions**

On the whole, we certainly do not want to idealize the ways in which the USSR and the United States will settle international conflicts by peaceful means in line with common human values and comparable goals. Various obstacles and stumbling blocks are bound to crop up in the cooperation between the two countries. This realization stems from the contradictory nature of Soviet-American relations in the perestroika years.

The USSR is still preoccupied with the resolution of its own internal problems, but we can already foresee that as we progress in our economic reform, the transition to the market, the stabilization of domestic economic conditions, and the further expansion of our country's economic, political, and other relations with the world community, everything occurring outside our country will begin to worry us much more than it does today. The frequent speeches about the advantages of some form of isolationism will be replaced by appeals for a more active foreign policy line, including action in the Middle East. How might all of this affect USSR and U.S. approaches to regional issues?

Even if we were to believe the forecasts of the many futurologists who predict that economic conflicts will gradually take the place of political and military conflicts in the world, we must not assume that Soviet-American disagreements will acquire acute and fatal characteristics

in the foreseeable future. The bipolar world is disappearing, and new centers of the world community with considerable economic strength—the unified Germany and the united Europe, Japan, China, and perhaps some others—will probably play an increasingly perceptible role. "It seems to me," M.S. Gorbachev said at the joint press conference of the presidents of the USSR and United States on 9 September 1990 in Helsinki, "that the nature of our world and the current changes are such that no country today, no matter how powerful, can hope to secure the kind of leadership to which some countries aspire—including, perhaps, some represented here."<sup>4</sup>

Will the rest of the world want regional crises to be settled primarily by only these two powers? Certainly not. Will the two powers want to be fully responsible for possible crises? Certainly not. They will try to share the responsibility with other members of the world community. During the conflict in the Gulf, for example, the United States enlisted the support of friends and allies and of the United Nations before taking action.

All of this provides more proof of the groundlessness of the allegations about the threat of a Soviet-American condominium in zones of existing and potential regional conflicts. Furthermore, this kind of condominium might seem counterproductive from the standpoint of the interests of the great powers and their foreign policy goals under present conditions because it is certain to evoke a wave of anti-Soviet and anti-American feelings. Both the USSR and the United States must take a careful and balanced approach to conflicts, avoiding the imposition of solutions and agreements while creating the best possible conditions for the elaboration of constructive proposals by local governments.

Experience has shown that the great powers are seriously inclined to intervene in regional conflicts as active participants or intermediaries only if they feel that their vital interests are being threatened. In all of the postwar years, for example, the United States' involvement in Mideast affairs and conflicts in the region has been motivated by strategic and domestic political factors. The activities of the USSR in the region were dictated not by economic considerations, but primarily by strategic, political, and ideological factors, such as the demand to "support the national liberation process," or, more precisely, the regimes declaring their animosity to imperialism and their fidelity to socialism.

What is the present situation? The United States still has an interest in the stability of this region—the main supplier of oil to the world market. The general changes in Soviet policy have made the possibility of strategic confrontation with the USSR a less important factor to the United States in general, and in this region in particular. The Middle East priorities of the United States are influenced by the business community and also by the pro-Israel lobby, which demands the pursuit of an active policy in this region, with maximum consideration for Israel's interests.

As for the USSR, it mainly wants stability along its southern border. Besides this, it is interested in developing mutually beneficial economic cooperation with the countries of the region. The USSR is the only country in the world which is self-sufficient in almost all types of strategic resources. Consequently, raw material imports are not as important to it as to the majority of other countries. Furthermore, the USSR realizes the importance of the raw material aspects of security to the Western countries.

Therefore, the USSR and the United States have certain common interests, consisting in the preservation and maintenance of stability and the prevention of violence. This means that they also have potential spheres of interaction in the settlement of conflicts. We must admit, however, that the two countries are unlikely to have common interests in international crises in the Third World today or in the future. In this case, we can only speak of more or less parallel interests and more or less inclination to take joint action, because the economic capabilities and priorities of our countries are far from identical, and we have different political views and commitments. All that we will have in common here is our commitment to common human values, the process of democratization, and non-violent evolutionary development. It is also completely obvious that the United States will soon be a strong contender for the status of the sole global power, while the USSR will concentrate on domestic problems. Globalist functions probably will not be very high on the scale of foreign policy priorities for the Soviet Union, at least not in the foreseeable future.

The crisis in the Gulf proved that even when the USSR and the United States have common goals—putting an end to aggression and restoring peace and international order—they do not agree on the best means of attaining them. The Soviet Union sympathized with the U.S. stance, but nevertheless concentrated on political and diplomatic means of solving the problem and did not send even symbolic armed contingents to support the multinational force. It had several reasons for doing this.

The main reason, namely the internal economic and sociopolitical difficulties, has already been discussed. Besides this, the significance of public opinion had grown immeasurably. There was also the "Afghan syndrome"—the obvious reluctance of large segments of the population to become involved in another lengthy armed conflict, even for a just cause. It is difficult to say how long this will be a determining factor in the USSR, but it is probable that it will last at least until the main economic difficulties have been surmounted.

It is clear that when the Soviet leadership assigned priority to political and diplomatic means, it intended to maintain a direct and reliable channel of communication with Baghdad, which would have been convenient for the international coalition as well under certain conditions. This channel was used actively, although its effectiveness is now being questioned.

On the purely military level, both Russia and the USSR have always paid more attention to adjacent ground theaters of military operations than to naval theaters. By virtue of their structure, the USSR armed forces are not intended for long-term involvement in a war or conflict at a considerable distance from Soviet territory. They do not have the kind of overseas military bases and support points the United States has.

Finally, there was obvious consideration for the feelings of the approximately 50 million inhabitants of our country who have traditionally practiced Islam. The USSR has no parliamentary lobbies advocating active involvement in Mideast politics, but the union leadership has to take the opinions of Soviet Muslims into account when it makes any decision connected with the Middle East. Many spokesmen of the Islamic population of the USSR (and they are not the only ones) have their own view of the situation in the Gulf, and some of the most zealous young people even expressed their willingness to go and fight on S. Husayn's side.

All of these factors appear to have influenced the behavior of the USSR at the time of the crisis, which was distinguished, on the one hand, by clear and precise condemnation of Iraq's aggression and demands for the unconditional withdrawal of Iraqi troops from Kuwait and, on the other, by a desire to solve the problem as painlessly as possible and to refuse to participate (even symbolically) in the military operations against Iraq until the very last minute.

In general, when we consider the limits and possible results of potential Soviet-American cooperation in the settlement of regional conflicts, we can say that although the USSR and the United States do not have the power, either together or alone, to force the different sides in a regional conflict to accept a long-term peace agreement on terms convenient only for the USSR and the United States, they certainly can influence the development of the situation and assist in the establishment of more favorable conditions for settlement. Either of the two powers, however, could create serious difficulties to complicate the political settlement of a crisis if it wished to do so.

#### Patterns of Cooperation

What chance would the USSR and United States have to promote the resolution of international conflicts through joint action in the present atmosphere of increasing multipolarity? According to the earlier oversimplified view of the world, after all, many believed that a conflict could be resolved merely by the pressuring of their "clients" by the United States and the USSR, but this is not the case at all. In principle, the superpowers have never had such strong means of leverage. In the atmosphere of fierce political opposition, reinforced ideologically by the theory of confrontation between the two social systems, whenever the United States deliberately tried to use its own allies to hurt Soviet allies and, consequently, our own influence, and whenever we

attacked its influence in comparable ways, both sides poured oil on the flames of old disputes, some of which were centuries old.

There is no question that if the USSR and United States had wanted to suddenly stop a regional conflict in its most acute (military) form under those conditions, each side could have exerted pressure on its ally or allies by, for instance, suspending arms shipments. It is possible that this course of action might have contributed to the attenuation of hostilities by removing the artificial veneer of East-West confrontation that was always added to conflicts of this kind. As a result, the conflict could have been suppressed for some time, but the fact is that neither we nor the Americans wanted to do this, with possible rare exceptions, during the years of cold war.

Now there is no question that we will have even less chance of settling conflicts. It is obvious that the main role in their resolution should be played not by external forces, but by the internal factor, namely the desire of the conflicting sides to reach a compromise. The primary objective of the USSR and United States could be the establishment of the best possible conditions for seeking and finding this compromise.

If we should be striving for a strong and lasting settlement rather than a temporary and tenuous one, however, the whole world community, and not just the great powers, should have a sense of involvement in the safeguarding of security and the resolution of conflicts, with the leading role assigned without question to the conflicting parties themselves.

It would be naive to think that new disturbers of the peace will not take center stage after the end of the war in the Gulf and the implementation of the related UN resolutions. There is no guarantee that an adventurist leader like S. Husayn will not come into being in some country in the future. This is why the main objective must be the defense of international order and the sovereignty and integrity of primarily the small countries, in view of the fact that big states will be able to stand up for themselves. But who will defend the former? Who is best qualified to do this?

The war in the Persian Gulf clearly demonstrated that small countries, even in the presence of unity (for instance, in the acknowledgement of the need for the occupation troops to leave Kuwait), are virtually powerless to do this alone. To a considerable extent, this is due to the fact that many of them put their own national and, to some degree, regional interests first. Besides this, in most cases small countries simply do not have the strength, the means, or even the desire to assume global commitments. The performance of these functions is more or less characteristic only of great powers with extensive raw material and economic interests. Most of them are permanent members of the UN Security Council.

On the other hand, there is another indisputable fact: Open intervention in regional conflicts by the United States or some group of Western countries, with or without the participation of the Soviet Union, is certain to arouse the fear of a conspiracy by the great powers against the small countries among the broadest segments of the masses in Asia, Africa, and Latin America. This fear could take acute and destabilizing forms.

For this reason, the most realistic way of enforcing international law and order is the appointment of forces to act under UN auspices and on UN instructions. The truly effective use of this method, however, will require changes in the status of the armed forces of this organization.

It would probably be wise to consider the formation of a combat-ready contingent of UN forces, made up of large and small units from the countries serving as permanent members of the UN Security Council and troops from countries upholding regional commitments in each specific part of the world. We must not forget that the UN Charter specifically says that "to secure quick and effective action, the United Nations and its members will assign the primary responsibility for the maintenance of international peace and security to the organization's Security Council" and that "it will be empowered to conduct operations by air, sea, and land forces deemed necessary for the maintenance or restoration of international peace and security."<sup>5</sup>

Obviously, the troops under UN Security Council jurisdiction should not be a decorative-exotic force, but completely real forces acting to restore order, legality, and infringing sovereignty on behalf of and on the orders of the Security Council. The use of forces of this kind would not be interpreted as "imperialist aggression" or diktat. The forces could be made up of the military contingents of permanent and temporary members of the UN Security Council and other states wishing to take part in the operations.

These forces could be formed on the basis of the principles set forth in Article 47 of the UN Charter, which have never been implemented for this purpose. They stipulate that the UN Military Staff Committee will be "responsible for the strategic direction of armed forces placed at the disposal of the Security Council."<sup>6</sup> The actual control and command of the UN combined forces could be the responsibility of a representative from the country sending the largest contingent of its own troops for the specific mission. In any case, the procedure and scales of the use of these forces must be strictly defined and monitored by the appropriate UN agencies.

Therefore, multilateral measures will be preferable to bilateral ones. This certainly does not exclude the possibility of bilateral consultations and steps by our countries for the purpose of planning initiatives and a common stance.

This kind of cooperation could include, for example, advance notification of one another of developments

with negative and unfavorable implications for either power, and each country could notify the other of its own moves and intentions. The powers could also regulate pre-crisis situations by using their own leverage and authority to influence the conflicting parties. A party intending to use force must be given categorical warnings of the impermissibility of this move. Regrettably, neither the USSR nor the United States seriously warned Iraq not to invade Kuwait, as a result of which it misinterpreted their positions. The group of different types of leverage—political, economic, and military—must be developed further for use against the conflicting parties not wishing to settle disputes by peaceful means.

Nevertheless, it appears that priority should be assigned not to the resolution of regional conflicts as such, but to their prevention, if possible, or to attempts to extinguish them in their earliest stages. One of the most important steps in this direction would be the actual limitation of arms shipments (particularly the delivery vehicles of weapons of mass destruction and the conventional weapons with the greatest destructive potential) to Third World countries on the basis of a broad international consensus. Besides this, transfers of state-of-the-art technology for the development of missiles and weapons of mass destruction and other modern weapons systems must be limited and put under strict control. These steps should be accompanied by parallel efforts to establish reliable and intersupplementary regional security systems.

#### Footnotes

1. Quoted in PRAVDA, 11 September 1990.
2. M. Intriligator, "Soviet-U.S. Cooperation for Regional Conflict Management," Report Prepared for Council of Economic Priorities, Institute for World Economy and International Relations, Conference on Military Spending and Economic Priorities, Moscow, 11-17 November 1990.
3. PRAVDA, 20 November 1990.
4. Ibid., 11 September 1990.
5. "Charter of the United Nations and Statute of the International Court of Justice," New York, United Nations, p 24.
6. Ibid., p 37.

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**Economic Security During Transition to Market**  
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[Reports presented at session of Academic Council of Institute of U.S. and Canadian Studies in April 1991 by



Sergey Yuryevich Medvedkov, doctor of economic sciences and head of sector at Institute of U.S. and Canadian Studies, Lyudmila Antonovna Konareva, candidate of economic sciences and senior scientific associate at the same institute, Mikhail Anatolyevich Portnoy, doctor of economic sciences and institute sector head, and Viktor Borisovich Spandaryan, candidate of economic sciences and senior scientific associate at institute]

[Text] The economic security of the USSR during the period of transition to the market was discussed at a session of the Academic Council of the Institute of U.S. and Canadian Studies in April. We are printing the best reports below.

#### **Are the Americans a Threat to Our Economy?—S.Yu. Medvedkov**

The crisis in our country, which is related to the transition to the market, has assigned high priority to national economic security. Until we have a clear idea of the criteria of security in an open market economy (the discussion of any kind of market is out of the question if our national economy remains closed), however, we cannot expect to plan an effective anti-crisis economic policy for the transition period. This has provided fertile ground for attempts to frighten the population with references to "enemies" and "threats" to the economy, references taken from the arsenal of the 1930s.

The regular attempts to accuse the West, particularly the United States, of trying to "undermine" the Soviet economy require responses based on an impartial analysis of the strategic and tactical economic interests of the United States and the West as a whole with regard to the USSR. We must admit right away that it would be wrong to envision some kind of formalized "plan of action" calling for the automatic application of the "rigid" strategy and tactics that were characteristic of the years of East-West confrontation. If for no other reason, it would be wrong because the chaotic economic and political processes in the Soviet Union provide analysts with no basis for even the most approximate forecasts of their possible results.

Nevertheless, the national interests of our country on the international level have always served as the basis for the formulation of goals and the planning of the best patterns of action for their attainment.

#### **1. U.S. National Economic Interests With Regard to the USSR**

It is no secret that the United States has traditionally built its relations with other countries in line with its own strategic national priorities and goals. Therefore, we will disregard the "Soviet implications" of American policy for the time being and concentrate on the theoretical basis of this topic—an analysis of American goals and interests in the world economy in the 1990s.

President Bush's economic report for last year said that the United States must continue to "lead the world economy toward freer trade and open markets and support pro-market reforms" (this is a reference to reforms in the developing countries as well as in Eastern Europe and to the privatization of Western economies).<sup>1</sup>

We must take note of the fact that there is no longer any discussion of the cultivation of "American standards" in the economies of other countries; there is consideration for the increasing economic interdependence in the world, as a result of which any changes contrary to worldwide tendencies, generated primarily in the Western countries (intergovernmental economic integration and the encouragement of commercial initiative), could disrupt the world economic order. For completely understandable reasons, consequences of this kind are viewed as something contrary to U.S. interests because they would undermine U.S. influence in the world economy.

The national economic priorities ("a strong, thriving, and competitive economy"),<sup>2</sup> set forth in another document frequently cited in our press, also take the events occurring in the world economy and in individual countries into account. Once again, the earlier emphasis on the "total supremacy" of American interests and goals has been superseded (although perhaps not completely) by the desire to protect the "viability" of the U.S. economy, and guarantee American companies a stable and competitive climate for international business. The reason for the change in emphasis is the United States' increased dependence on external channels for the acquisition of capital, goods, and services.

It is from this standpoint that we must examine the official declarations of U.S. economic goals and interests in the 1990s: "To secure access to foreign markets, energy and mineral resources, the oceans (guaranteed shipping—Author), and outer space (commercial as well as military interests in the viability of the national economy—Author)." In the same context, there is the desire to "promote the development of an open and expanding international economic system with minimal disruptions of trade and investment activity, with stable currencies, and with commonly acknowledged and observed rules for the investigation and settlement of economic disputes."<sup>3</sup>

The exact priorities of U.S. economic interests with regard to the USSR and Soviet economic reforms can be seen distinctly in light of these aims.

First of all, the United States must have a strategic interest in the transformation of the Soviet economy on the basis of the principles of private ownership and free enterprise. The Soviet economy's transition to the market will give rise to the same economic structures in the USSR as in the West, considerably simplifying the interaction with government and business organizations in the United States and other Western countries.

This is certain to be accompanied by the inclusion of the USSR in the system of world economic ties (the move to an open economy) and international economic institutions (GATT, IMF, EC, EBRD, and others), where the "rules of the game" are set by the United States and its allies. Besides this, market mechanisms will provide strong momentum for the reorganization of political and social structures with a view to Western values and principles.

In this way, the economic development and "behavior" of the USSR in the world economy will become predictable and controllable.

In the second place, it seems to us that the United States has a greater interest in the natural course of pro-market reform than in the use of the rigid "stick-and-carrot" policy for the purpose of intensifying the USSR's transition to the market. An examination of U.S. foreign economic policy toward the USSR in 1985-1991 reveals the American administration's intention not to become too involved in the reform of the Soviet economy.

We should recall that although we were "open" to cooperation from the very first years of perestroika, until recently the United States said it would be willing to promote the full-scale inclusion of the USSR in Western trade and economic ties only after the Soviet economy had been radically restructured in line with market principles. This was probably the only political stipulation.

Obviously, if the United States had wanted to use the full force of the economic "stick and carrot" to influence economic processes in the USSR effectively, it would have taken a different tack. It would have been much more persistent in requiring the Soviet leadership to institute specific pro-market measures as a condition for the liberalization of trade policy (the granting of most-favored-nation status, preferential credit and government guarantees, access to international economic organizations, and less rigid export control).

By the same token, we should note the United States' reluctance to offer broad-scale economic aid to the USSR (the stimulation of direct investments by private business in the Soviet economy through government credit in a manner comparable to the "Marshall Plan"). After all, if this had been the case, the United States could have already been using the "debtor's noose," or the USSR's legal economic obligations to the United States, for 2 or 3 years now.

There is something else we must remember: At the height of the American business community's economic interest in commercial cooperation with the USSR (in 1989), Washington took a pointedly neutral stance (if we disregard the announcement of the administration's "moral support" of the private sector's intentions to develop trade with the Soviet Union). There was also the extremely cautious approach the United States took to the question of allowing the USSR to join the IMF,

GATT, and EBRD and to the efforts of West European countries to develop trade and economic cooperation with the USSR.

In the third place, the United States does have an interest in the USSR's transition to market relations, but not at the price of a severe economic and social crisis. It is no coincidence that people across the ocean are viewing the signs of crisis in the Soviet national economy with increasing alarm. Could they serve U.S. interests if they create the necessary conditions for the deceleration of market reform and the reorientation of the country's leadership toward authoritarian and inflexible methods of economic administration? They are equally disturbed by the threat that a crisis in the USSR could have destructive effects on the world financial market (because of the USSR's inability to repay earlier loans) and the world markets for petroleum, other raw materials, food, and precious metals.

It is also unlikely that the United States would welcome another consequence of the crisis in the Soviet economy: the undermining of the USSR's economic ties with East European countries (particularly the export of Soviet energy resources) and the resulting heavier burden of Western assistance in East European reforms. Furthermore, a "great depression in the East" will almost certainly cause the divergence of views within the bloc of Western countries with regard to "Eastern policy," and this is certain to affect the United States' trade and political interests in American-West European and American-Japanese relations.

There is an underlying political-strategic basis for the U.S. economic interests listed above, but even the immediate interest of the U.S. administration in securing access for American business to the production and economic resources of the Soviet Union is not among the national priorities stemming from the national economic needs of the United States.

To make full use of the comparative advantages of the Soviet economy,<sup>4</sup> the United States would need not only huge investments of capital, but also enough time for the radical reorganization of national economic branches in the USSR. Even in the event of the USSR's steady progression toward the market, these efforts are unlikely to produce results before the end of this decade. In this case, the political dividends would be earned by another Congress and another administration in the United States. We must not foster illusions: The United States does not need a single one of the goods and services the USSR can offer it. Soviet raw materials have also lost much of the appeal they had in the 1970s. In principle, the USSR could serve as an alternative source of resources for the American economy, but the growing crisis in this branch of the Soviet economy and the absence of firm (economic and political) guarantees of the reliability of this source have aroused justifiable skepticism.

It would also be difficult to convince anyone that foreign economic ties with the USSR could quickly turn into a factor improving the U.S. balance of trade and payments. In view of the fact that the American deficit in current operations has been reduced by more than 30 percent since the middle of 1987,<sup>5</sup> the severity of the disparities in U.S. foreign economic relations has been alleviated perceptibly. Besides this, for a long time Soviet-American trade has represented only a fraction of a percent (around 0.5 percent in the last few years) of total U.S. foreign trade. It is simply unrealistic to expect this trade to grow to, for example, one-fourth of Western Europe's share of U.S. trade or one-third of Japan's.

The "brain drain," the emigration of "human capital," which is of particularly high value at this time, is a different matter. There is a real interest in this, and this interest has been justifiable to date. The liberalization of Soviet emigration policy, which has not been counter-balanced yet by economic and sociopolitical stimuli to keep potential Soviet emigrants in the USSR or to accomplish their repatriation, fits in with long-range U.S. plans to attract "brains" from other countries. We can and must stop this genuinely dangerous erosion of the "intellectual topsoil" in our country and stimulate the flow of intellectual resources from abroad into the Soviet economy, but this will take economic and social stimuli rather than administrative measures. It is time to enter the international competition for "minds," because the failure to do so will lead to the stagnation of our reforms and our societal development.

We still have not discussed one important area of American interests—military-economic. There is no question that it demands separate and serious analysis, but we will note that the collapse of the Soviet economy is unlikely to be in the long-term interests of the United States from the standpoint of military-strategic considerations either. After all, the wars and conflicts in today's world are usually not started by the economically secure and thriving countries; they have something to lose, and they have something to rely on, other than military force, for the resolution of internal and external problems.

## 2. Is the American Business Community Getting Ready for a "War With the Soviets"?

Our earlier discussion pertained mainly to the national or statewide economic interests of the United States with regard to the USSR. As far as the U.S. business community is concerned, its approach to trade and economic cooperation with the USSR is more likely to coincide with these interests than to conflict with them in all of its fundamental characteristics, but it does have certain distinctive features.

It is true that the commercial interests of American firms with regard to cooperation with the USSR were more concrete and specific than the interests of the U.S. Government before the beginning of 1991. Although big business took a characteristically prudent approach even when the interest in trade and investment in the USSR

reached its highest point, the prospects for the investment of billions of dollars in the Soviet economy seemed quite positive. We must remember that it could rely only on the moral support of the U.S. administration, and not on economic-legal support. In spite of the high political and economic risks of doing business in the USSR, projects like the American Trade Consortium were a clear indication of serious interest in the development of economic ties with the USSR.

Access to Soviet raw materials, especially energy resources, appeals most to American business. First of all, in contrast to finished items, these resources are guaranteed to sell on the world market. Furthermore, world oil prices are most likely to rise.

Second, American corporations have had to consider the possibility of competition for access to Soviet oil, including competition from companies in other Western countries. Delays in the penetration of the Soviet economy could lead eventually to lost opportunities.

Third, businessmen realize that the strategic importance of raw material branches to the USSR presupposes special support from the Soviet State, including the creation of favorable conditions for foreign capital. In view of the increasing authority of republic government agencies, especially in Russia and Kazakhstan, and of their awareness of the importance of foreign participation in the extraction, processing, and sale of energy resources in foreign markets, they anticipate radical republic moves to attract Western raw material companies. These factors are certain to heighten the relative security of investments in raw material branches, which are unlikely to be able to continue satisfying the USSR's internal and external economic needs without participation by foreign firms.

As far as exports of American goods to the USSR are concerned, they are presently of real interest primarily to the U.S. corporations which have already been shipping goods to the Soviet market for years. These are mainly the companies involved in exports of grain to the USSR and the producers of equipment for the extraction and processing of natural resources. This kind of "selective interest," however, is primarily a result of our own priorities, which took shape over the years and the decades without adequate consideration for the future and for the actual needs of agriculture and industry.

The USSR's low credit rating considerably diminishes the interest of corporations in other branches, including the consumer sector, in exports to the USSR. Nevertheless, business groups in the United States are taking a greater interest in the Soviet market now that Western aid has been offered to Eastern Europe and the Soviet Union. The more constructive position of Germany and other West European countries in this area has heightened the probability of more active trans-European (Western Europe—Eastern Europe—USSR) operations by American corporations through their network of

subsidiaries in the West European countries. Other contributing factors include the development of the EC's relations with the Eastern states of the continent and the favorable prospects for the resumption and possible expansion of the USSR's trade and economic ties with Germany (the eastern half), Hungary, Czechoslovakia, and Poland.

Companies in high-technology branches are apparently less interested in "straight" exports to the USSR than in participation in the large-scale projects connected with the remodeling of Soviet production units and the communications network. Cooperation with enterprises of the military-industrial complex is also viewed as a potentially promising endeavor. In addition, the possibility of hiring the best-trained and most talented scientific and technical personnel is viewed with enthusiasm by American firms.

The restrictions included in the system of CoCom [Coordinating Committee for Multilateral Export Control] and U.S. export controls, on the other hand, have considerably diminished the interest of corporations in high-technology industries in cooperation with Soviet enterprises. Although steps in the only right direction—toward the elimination of these restrictions—have already been taken, it will be a long time before these barriers can be pierced. This will take more trust and the guarantee that people will not play the same dirty tricks with this technology as they did with the tanks that were "concealed" from reduction on the other side of the Urals.

We can assume that American business came much closer to an understanding of our new potential for commercial partnership during the years of perestroika. The sequence of stages in the implementation of the strategy of U.S. companies with regard to the Soviet economy is quite typical of corporations operating on the global level and investigating the possibility of doing business in unfamiliar economic territory. The first step was a preliminary analysis of the climate for business in the USSR (based on the processing and analysis of economic, commercial, political, and social data and the results of fact-finding trips). Most of our potential partners already went through this stage one and a half or two years ago. Furthermore, in most cases the results were more likely to be negative than positive.

The next stage generally consists in the commercial "investigation" of the potential for cooperation through exports, franchises, and sales networks. This stage was never completed in the case of most companies, particularly because of the Soviet side's difficulty in fulfilling foreign trade contracts. If the state of the Soviet economy should change for the better, however, the resumption of this kind of commercial activity by U.S. corporations will be possible.

If these steps had been taken successfully, American firms would have been prepared to make direct investments (of business capital) in new or existing enterprises

for the satisfaction of demand in the domestic market of the USSR, initially by using technology, equipment, parts, and components from abroad. The "investment boom," however, never did materialize. At first this was due to the Soviet side's monetary problems (the non-convertibility of the ruble is only one of these) and its persistent efforts to begin exporting its own manufactured goods as soon as possible. Now the situation is much more acute because of the economic and political crisis: When stability does not exist, investors prefer to invest their capital in other regions, especially when they have so many to choose from in the world economy.

As for the establishment of large-scale commercial production complexes in the USSR, geared to the domestic and international markets, American corporations may begin to do this after they have passed successfully through the earlier stages, probably in the middle of the 1990s. It has been postponed indefinitely for now.

This simple outline of the strategy of industrial firms in the USSR indicates that the tactical interests of the American business community are transitory and depend on the results of earlier stages of market penetration and on current conditions for business in the USSR.

Furthermore, we must remember that in the relations between host countries and transnational corporations (including American ones) in the 1980s and early 1990s, the "negotiating position" of the former grew weaker and that of the latter grew stronger. In view of the high risks of business with the USSR and the flaws in the Soviet economic mechanism, our comparative advantages always looked inadequate to U.S. businessmen seeking commercial relations. It is true that some of the largest U.S. corporations (for example, Chevron, General Electric and, evidently, IBM) are approaching the final stages of the planning and coordination of programs of commercial activity in the Soviet Union in the upper echelons of their corporate management. Nevertheless, even they probably will not wish to take action until business conditions in the USSR begin conforming to world standards.<sup>6</sup>

As for the possible intentions of the American business community to take control of our natural or financial resources, not to mention the economy as a whole, this goal would be simply out of the question in the near future. In the first place, the USSR (like any other country in the world) has no unique advantages (monopolies) that are lacking in other countries and that hold out the indisputable promise of long-term profits. Of course, there is a group of comparative advantages, but they are cancelled out by many disadvantages (some of which were listed above) for businessmen.

In the second place, realizing these intentions would require not only the total unity of the U.S. business community, but also huge and protracted expenditures of forces and resources. In view of the inclination of the American corporate sector to work only on profitable

projects which do not tie up investments for a long time, and in view of current intra- and inter-sectorial competition, this is unlikely to occur.

In the third place, the danger of "uncontrollable dependence" on foreign capital will arise only if this capital gains direct control over 15-20 percent of the fixed assets, employment, production, and sales in individual sectors, and in an economy as large as the Soviet one this would be equivalent to at least 5-7 percent of the GNP.<sup>7</sup> At this time the operations of joint ventures in the USSR are equivalent to only a fraction of this figure, and Western businessmen (including Americans) have no intention of increasing them substantially.

World experience, including the experience of developing countries, points up a more realistic cause of dangerous conflicts between the national interests of host countries and foreign capital—the kind of economic chaos that frightens conscientious investors away and attracts speculators from abroad, and the inability of governments to base their relations with foreign business groups on the principles commonly accepted in world practice.

Something that does arouse genuine concern is the low level of qualifications of the representatives of many Soviet enterprises and organizations, as well as of republic and local governing and administrative agencies, that are trying to participate directly in foreign economic ties without the help of professional mediators and consultants. This is not their fault: The American Government is genuinely supportive of its business community, but ours is constantly undermining businessmen. After all, whose fault is it that the flaws in our economic and foreign economic laws and the mechanisms for their enforcement create boundless opportunities for unscrupulous (judging by the legal criteria and standards of Western countries and international law) commercial practices by Western firms?

Nevertheless, it would be wrong to completely exclude the possibility of coordinated actions by some groups of American industrial corporations and banks with each other and with companies in other Western countries. These actions, however, will be motivated not by the innate aggressiveness of imperialist monopolies and their intention to declare "economic war" on the USSR, but by the actual conditions of competition in the world market, which demand the consolidation of forces for the reduction of risks. Our Western partners are certain to unite their efforts in particularly large projects in the USSR (investments in raw material branches, the work on union or republic programs of sectorial reorganization, imports of raw materials and consumer goods, and their monetary support). They must coordinate their crediting and financing policies with a view to the growing foreign debts of the USSR and the East European countries.

We can anticipate some degree of coordinated action by the governments of the West and by business groups in

decisions on whether Soviet enterprises—potential competitors—should be allowed into world markets, and in the event of the widespread practice of operations involving the sale of stock or shares and the auctioning of real estate, the means of production, land, and crude resources with participation by foreign firms.

The degree of the interest of Western, particularly American, business in this kind of consolidation, however, will depend primarily on us. A great deal will depend on the flexibility of the Soviet side (the partners in projects) in relations with foreign firms, the effectiveness of the foreign economic sections of Soviet anti-monopoly legislation, and the level of commercial and political activity of central and republic governing and administrative bodies.

### 3. The "Economic Gun": Will the Trigger Be Pulled?

We know that the Americans are able to count money, and they can do this during the planning of foreign economic operations. For this reason, the range of the probable use of economic, commercial, and political means by the United States to influence the USSR will depend on the possible results of their use. The financial gains and losses for the United States will be weighed against gains with losses for the USSR.

Even if the scales of Soviet-American trade should undergo radical changes, in the direction of expansion or reduction, we estimate that the range of annual fluctuation will not exceed -1.5 or -2 billion dollars (in the event of trade sanctions, for example) or around +3-+7 billion dollars (in the event of a dramatic increase in American aid and the intensification of exports of machines, equipment, and consumer goods to the USSR on commercial terms). These changes would be equivalent to less than 1 percent of U.S. foreign trade and would stay within the confines of "natural" fluctuations in the volume of U.S. foreign trade with its leading trade partners—with Japan, for example.

Something else is also important. Earlier substantial reductions of shipments to the USSR (at the time of the embargo on exports of grain and oil and gas equipment to the USSR) or substantial increases (at the time of the Soviet grain purchases in late 1990) had a perceptible effect on some companies and a minor effect on the branches concerned (the change in American grain prices, for example), but have not caused any disruptions on the national economic level.

The substantial "reserve strength" is also attested to by the U.S. administration's acceptance of the "lost advantages" due to existing restrictions on trade with the Soviet Union. The use of export controls alone, for example, causes losses ranging, according to different American estimates, from 10 billion to 20 billion dollars a year in the U.S. GNP.<sup>8</sup> These calculations of the "potential impact" on the American economy, however, are usually not among the main criteria when the U.S. administration makes decisions promoting or impeding economic cooperation with the USSR.

The mistaken belief that a severe crisis in the Western economy (or the U.S. economy) is always accompanied by heightened interest in the development of trade with us, has been alive since the days of the "great depression" of the 1930s. This is not the first decade of recession and crisis, however, to fail to have the anticipated impact on our relations with the West. The present recession in the United States probably will not have a significant effect on trade and economic cooperation with the USSR either.

If the forecasts of experts are accurate, the depth of the slump in the American economy will not exceed 2-3 percent, and it will not last much more than a year.<sup>9</sup> It is almost a certainty that this "crisis" will not lead to any radical changes in the American business community's feelings about the possibility of developing trade with the USSR. Furthermore, we can predict with some certainty that even if market conditions in the American economy should continue deteriorating, priority in exports and foreign investment will be assigned to Eastern Europe and possibly to China in addition to the United States' traditional partners in the West and the Third World.

Today, just as during the years of confrontation, we must admit that the unblocking of mechanisms for the extension of credit and finances to the Soviet Union from government sources and the liberalization of trade and economic relations with the USSR are still far removed from developments in Soviet-American economic cooperation. There are difficulties, for example, in extending U.S. government aid to the Soviet Union according to the official procedure for foreign recipients, because the USSR cannot claim to be a developing country. To date (up to this summer), there has been no clearly established procedure for "linking" aid with the resolution of specific problems in the Soviet economy and the adjustment of the Soviet Government's economic policy in line with American recommendations. Comparable difficulties have also arisen in connection with the idea of the USSR's membership in the IMF, particularly its eligibility for loans from this organization.<sup>10</sup>

There is also another problem people sometimes forget when they refer to the American administration's "intransigence" in questions connected with changes in trade and political relations with the USSR. The fact is that the U.S. administration's freedom to liberalize trade policy is limited by law as long as the U.S. Congress has no conclusive arguments in favor of the revision of existing restrictions.

We must also remember that even if the Americans' moral support for Soviet reforms should continue, it cannot serve as solid grounds for their approval of large government expenditures on the "abstract" goals of economic reform in the Soviet Union.<sup>11</sup> Proposals of this kind are certain to be viewed as something inconsistent with the plans to reduce the U.S. budget deficit, to continue giving economic support to the poorest countries and "friendly" states, and to finance social and

infrastructural priorities in the United States itself (poverty, education, transportation, etc.).

In view of all this, we can be quite certain that the use of trade and credit policy instruments without any direct use of substantial budget resources is the most probable direction the U.S. administration's economic policy toward the USSR will take in the near future. Obviously, we should not exclude the possibility of attempts to influence the USSR by means accessible to the President of the United States and his administration. The means of influence at their disposal are international economic organizations and establishments (the IMF, IBRD, EBRD, and GATT and, indirectly, the EC), which might be used primarily in debates on technical and humanitarian aid, the involvement of the USSR in the work of these organizations, or the development of other relationships with them.

The possible means of influence might also include the linking of decisions on the partial or complete elimination of trade and credit restrictions not only with the question of emigration, but also with the speed and direction of economic and political reforms. In combination with aid programs, this kind of leverage will probably be used sooner or later in connection with, for example, the secession of the Baltic republics from the union.

At this time it would be difficult to say whether the Americans will want to "take advantage" of the conflicts between the center and the republics over the methods of economic reform. The U.S. administration will probably be more likely to change its mind if republic forces should be consolidated in questions of pro-market reform on the basis of lateral economic treaties and agreements and a show of unanimity in the Federation Council, Monetary Committee, and other such organizations. The use of the economic crisis by the union Cabinet of Ministers to stifle the economic autonomy and private commercial initiative of individuals, enterprises, and republic and local administrative bodies will work in the other direction.

The economic security of any country is acquiring new dimensions in the atmosphere of international economic interdependence. They are difficult to accept and even more difficult to adhere to in a concrete policy "opening up" the national economy to the unfamiliar world of competitive market relations. We are not the only ones who will have to suffer the withdrawal pains of giving up the old stereotypes of "external economic threats": The "Japanese invasion" of the U.S. economy is viewed with apprehension by American labor unions and by businessmen who have been unable to compete with Japanese firms. The ideas of "resisting the diktat of the rich West" and of thereby attaining the mythical state of "economic self-sufficiency" in isolation from world economic relations are still alive in the sociopolitical atmosphere of Third World countries.

The world has cast its ballot, however, in favor of global economic interdependence. Conscious and voluntary integration into the world economy has become the focal point of the strategy and policy of the overwhelming majority of members of the world community. The least painful way of achieving this is a matter of tactics, a matter of adapting political moves to the needs of domestic business and the economic and social interests of nations, and not vice versa.

#### Footnotes

1. "Economic Report of the President, 1990," p 4.
2. "National Security Strategy. Report of the President, 1990," p 2.
3. Ibid.
4. They usually include, although with some stipulations, a rich resource base, a technologically literate reserve intelligentsia, cheap manpower, an economically convenient geographic location, and the "enclaves" of production capacities of the military-industrial complex, capable of producing competitive goods.
5. "Economic Report of the President," p 91.
6. The priority interests of business groups in the United States and other Western countries include the following:
  - (1) strong guarantees against political risks for investment in the USSR, the observance of the international principle of the "sanctity of contracts" (the unconditional observance of the terms of contracts and agreements unless they are contrary to law from the start);
  - (2) the guaranteed convertibility of ruble receipts and the guaranteed right to repatriate profits;
  - (3) the precise delineation of the powers and responsibilities of government agencies on various levels in the conclusion of contracts and agreements and their authority in decisions on economic matters;
  - (4) the cessation of the "war of laws" and the efficient reorganization of economic laws in the USSR; the restoration of mechanisms for their enforcement;
  - (5) the establishment of a professional financial and commercial network of mediating firms in the USSR to facilitate the entire group of commercial relations between foreign companies and Soviet enterprises.
7. In the United States, for example, companies with foreign participation in 10 percent or more of the initial assets (or property) account for 4 percent of total employment in the country; in the processing industry these foreign subsidiaries and joint ventures account for less than 14 percent of the assets and 7 percent of employment.

8. Estimated on the basis of data in "Controlling East-West Trade Technology Transfer," edited by G. Bertsch, Duke University Press, Durham and London, 1988, p 385.

9. Based on the findings of a survey conducted by the National Association of Business Economists—BIKI, 5 January 1991, p 1.

10. American experts believe that if the USSR should join the IMF, any credits for imports of, for example, consumer goods and means of production in excess of 25 percent of the Soviet quota will be conditional upon certain economic commitments—i.e., the implementation of IMF recommendations regarding government regulation of the Soviet economy. See P. Werman, "Soviet Membership in the International Monetary Fund," Congressional Research Service, Washington, 18 April 1990. For a more detailed discussion, see the article on the IMF in our journal: 1991, No 6, pp 22-31.

11. Apparently, this is not the least important consideration in the development of the U.S. administration's official position on the amounts and purposes of aid to the Soviet Union. According to J. Baker, for example, the United States has already done "a great deal to extend humanitarian aid" to the Soviet Union, and it "must be linked with the institution of necessary measures for the reform of the Soviet economy" for the purpose of enhancing its self-sufficiency. He also had a negative response to a question about the expediency of increasing U.S. aid to the Soviet Union (Baker's briefing of 20 December 1990).

#### Inferior Management: A Threat to the Security of Our Economy—L.A. Konareva

The main threat to our economy during its transition to the market is "gray" management, which exists on all levels. I have borrowed this term from H. Karatsu, the well-known Japanese specialist who was summoned as an expert by a committee of the U.S. Defense Department in the beginning of 1987 to explain why the products of American electronic firms are worse than Japanese products. Karatsu conducted random tests of computer chips produced by various firms and discovered big differences in the number of flaws, although all of the chips were of the same design and although the same technology was used in their manufacture.

Commenting on the results of this study at an international conference on quality control in Tokyo in November 1987, Karatsu said that "the main cause of the differences can be found in the art of management—i.e., in the efficient organization of the work of people, machines, and equipment and the correct distribution and use of material resources."<sup>1</sup> He drew the following analogy: An automobile is a comfortable and convenient means of transport only when there is a skilled driver behind the wheel; in the hands of an unskilled and careless driver, it is an extremely dangerous vehicle. Karatsu said that American firms could not compete with the Japanese because of "gray" management, a term



he used to describe the willingness to accept mediocrity and tolerate unsolved problems, whereas Japanese managers strive constantly for perfection, searching for the primary cause of any problem and eliminating it, thereby preventing its recurrence. The personnel of a Japanese firm, according to Karatsu, are like an athletic team: During the game, no one asks whose ball it is; each is ready to "take the ball and run with it." In American firms, there are too many situations in which everyone says: "This is not my job."

For all of the years of Soviet rule, the partocracy was at the helm of our economy. There is no question that it is to blame for the fact that a country so rich in resources is incapable of feeding its own people. The authoritarian system of management was conducive to the promotion of mainly "gray" managers to the highest positions. They were incompetent, mediocre, and incapable of thinking for themselves, choosing priorities correctly, and pursuing an intelligent investment policy and an effective foreign economic policy. There is no other explanation for the fact that, according to the estimates of Professor M. Bernstam from Stanford University's Hoover Institution, the USSR as a whole consumes approximately the same amount or twice the amount of all types of resources as the United States, but the consumption of goods, including services, food, and housing, in the Soviet Union is equivalent to only 28 percent of the American indicator.<sup>2</sup>

We export the mineral wealth nature gave us so that we can buy equipment for the continued extraction of this wealth, because we are incapable of producing high-quality equipment of our own. Driving the country to ruin, we spend foreign currency on equipment and technology, primarily for the military-industrial complex, where they are used extremely inefficiently. This also applies to the use of the negligible amounts invested in the development of the basic branches and light industry. This inefficient investment policy has given rise to the danger of the closure of many production units because of their dependence on imported technology and semimanufactured goods.

The Austrian Fest-Alpine firm, working with contractors from Italy and other European countries, built the Belorussian Metallurgical Plant (BMZ) in Zhlobin—a complex for the production of high-grade steel and metal cord—and turned it over to us in a fully operable condition. The construction project took only two and a half years, and the work was done calmly and quietly, without any accidents, and with only two-thirds as many workers as in two comparable projects we had undertaken ourselves and were unable to complete on schedule. The project cost just over a billion gold rubles. The new plant with modern technology, which was built to serve as the "beacon" of the industry, so that other enterprises could rise to its level, began operating immediately in line with our own managerial mechanism, which the Austrian dubbed "the Russian hop stopping," meaning "to cross the finish line and keep on running." According to the project planners, the plant should have

been operating at half-capacity for the first year so that all of the equipment and software could be adjusted properly. Instead, however, the plant started rolling at full speed in accordance with the plan, under its new name of "state requisition." Units were adjusted for stepped-up operations, and the "sensitive" imported equipment began to be operated without the observance of many technological requirements and preventive maintenance schedules. The barbarous handling of this equipment caused breakdowns, but no foreign currency had been allocated for the purchase of spare parts, because we had expected to begin producing them ourselves, which naturally did not happen. The construction of housing and of social, cultural, and consumer facilities for the workers proceeded slowly, and the size of the personnel staff tripled due to the addition of our own maintenance engineers, builders, medical personnel, preschool instructors, and subsidiary farm workers. Up to 30 percent of the metallurgists were sent out to work in the fields, the radios intended for production-related communications ended up in the offices of plant administrators, and the faucets and chains from sinks and toilets ended up in their homes. As a result, labor productivity at the plant was only 1.26 times as high as the branch average instead of the projected triple increase. "An enterprise was built to serve as the cornerstone for the incorporation of late-20th-century technology, but the 'tectonic advances' were not made. The plant was a 'foreign body' in the waves of our economic chaos."<sup>3</sup> The Austrians' reaction was quite accurate: It was a bit too early for us to have this kind of plant.

The same thing happened to a factory built in the Ukraine for the production of men's suits: the same plan for operations far in excess of projected capacity, the same deviations from technological requirements and, consequently, the same deterioration of quality. The efforts to create a "center" for the dissemination of expertise throughout the industry did not work here either.

There are probably dozens, or even hundreds, of examples of this kind. What do they all imply?

It is senseless to spend hard currency on purchases of foreign technology and the construction of modern production units and then plunge them into the "chaos" of the authoritarian system of management and "squeeze" them into the existing system of economic relations. Our system, style of management, organizational techniques, and methods of motivating personnel must be changed, or exchanged for foreign models, which will often produce a much greater economic impact even with no change in equipment. And if we must import technology, we must import management as well.

This is exactly what the Japanese did in the first postwar years. The traditional Japanese style of management, enriched by new theories, ideas, and methods, made up the conglomerate the Americans now refer to as the "secret economic weapon."



The opposite process began in the 1970s—the vigorous use and adoption of Japanese methods of management by the United States.

Most of the studies of Japanese management have focused on efforts to learn whether the Japanese style of management is unique, is based on national features, and is therefore inappropriate for the United States, or whether it reflects (and if so, to what degree) the general ideas and theories of the contemporary science of management. For a long time, people thought that the objective prerequisites for a rise in labor productivity comparable to Japan's did not exist at Western and American enterprises because of fundamental differences in the nature of manpower. The successes of Japanese subsidiaries abroad, and particularly in the United States, proved, however, that this was not true. These enterprises have managed to augment labor productivity and improve product quality considerably with the same manpower, but with Japanese managers.

Here is one of the most vivid examples. In 1974 the Japanese Matsushita firm bought a radio plant from the American Motorola company and began producing its own Quasar and Panasonic television sets there. The plant lost 19 million dollars in 1974. After this, Matsushita shut down production for 2 months and invested large sums in the retooling of assembly lines, the reorganization of production, and the renovation of facilities. Key positions in top and middle management were occupied by Japanese managers, who began holding weekly meetings of department heads for the discussion and analysis of key problems, the accumulation of objective and accurate information on these problems, and the creation of special groups to solve them. They began by instituting strict measures for the dramatic reduction of expenditures of all types and assigned priority to the most scrupulous inventory and quality control. The staff was also reorganized: They reduced the number of managerial personnel by a third, got rid of superfluous foremen, and instituted early retirement and simultaneous vacations for all production personnel while operations were suspended for a month.

In 1975, within 6 months after the reorganization, there were positive advances in product quality and in profitability and a rise in the level of job satisfaction and "organizational morale." Investments were recouped in less than 4 years, and the plant, which had been renamed Quasar Electronics, began operating at a profit. One of the main reasons was the significant rise in product quality. Whereas in 1974 there was an average of 1.5 to 1.8 defects in each television set in a manufacturing process numbering 1,300 operations, 3 years later the defect level was only one-fortieth as high, indicating 3 to 4 defects in each 100 TV sets. The cost of repairs covered by firm warranties decreased from 22 million dollars in 1974 to under 4 million in 1976 (it is significant, however, that the defect level in the parent firm in Japan is equivalent to only 0.5 defects for every 100 sets).

If we seriously want to incorporate progressive Western managerial experience, we should begin by changing management's attitude toward labor and product quality. We have been striving to improve quality for many years. We have tried everything. There were party and governmental decrees, quality days, quality contests, exemplary quality brigades, systems of defect-free labor, the emblem of quality, and even a five-year plan of quality, when comprehensive quality control systems were instituted at 30,000 enterprises. Numerous measures were also taken during the years of perestroika. They include the special decree of the CPSU Central Committee and Council of Ministers "On Measures for the Radical Improvement of Product Quality" (of 12 May 1986), which ordered the compilation of quality programs everywhere—on the level of enterprises, branches, and regions. The movement to set up quality control groups at our enterprises acquired broad dimensions. A set of state acceptance criteria was instituted and then abolished, and an attempt was made to pass a law on quality control.

What were the results?

Here is just one example. The Main Administration of State Quality Inspection of Goods and State Trade Inspection of the RSFSR Ministry of Trade published a survey of consumer goods quality in the first quarter of 1989. It said that 24.3 percent of all the sewn garments inspected in the first quarter had been rejected or given a lower quality rating, with respective figures of 22.9 percent for leather footwear, 29.9 percent for electric heaters, and 47.1 percent (almost half) for furniture. The survey ascertained that indicators had been higher during the same period of the previous year. The situation with regard to food was even more disturbing: 10 percent of all the bakery goods inspected had to be rejected or given a lower quality rating, and the figures for other foods were 27.3 percent for meat products, 19.6 percent for meat, 18.3 percent for sausage, 23.9 percent for margarine, 18.3 percent for canned fish, and 17.3 percent for nonalcoholic beverages. Here again, the indicators were two or three times as high as they had been the previous year. The general implication is that product quality suffered a disastrous plunge! The problem of quality ceased to be a purely economic issue long ago and became a sociopolitical issue because it is the root of many of our troubles and difficulties.

The number of people who died at the time of the earthquake in Armenia could have been only a fraction as high if buildings had not been made of a substandard cement compound and if construction standards had been observed. The pipeline which burst in the night of 3-4 June 1989 on a section of the Chelyabinsk-Ufa railway, and which had such dire consequences, was in an unsatisfactory state and lacked the necessary control system.

Writing and talking about quality became an impropriety in the middle of 1990. After all, how could there be any discussion of quality when there was a complete lack of products?

Officials speaking from the highest rostrums and reports in the media constantly try to convince the worried public, which is sick and tired of standing in line, that the shortages are the result of a buying frenzy, confusing the cause with the effect. It is obvious, after all, that shortages of certain goods were observed before the frenzied buying began, and that the demand for these goods will take a long time to satisfy. These are patterns of consumer behavior that must be taken into account. The connection between the shortages and product quality is not obvious on the surface, but this is only on the surface. If we take a look at official statistics, we see that the population was going hungry while 1,600 tons of bread, 900 tons of sausage, and 7 million eggs were rejected by quality inspectors in just half a year!

The extremely low quality of services also deserves mention, and this is also directly related to the shortages. One of the causes is the reduction of production volume and the decline of labor productivity, but what kind of productivity can we expect from tormented people who have had to stand in line for hours because of the poor organization of services in trade, at the post office, in savings banks, and so forth, who have lost hours and days of work waiting for the television or refrigerator repairman to arrive, and who have wasted their energy in altercations caused by the rude behavior of consumer service personnel?

In short, we are witnessing the disastrous deterioration of the population's quality of life. We must admit that Academician Abalkin was stating a sad fact when he remarked at a session of the USSR Supreme Soviet that "we live the way we work," but this is only half of the truth. We work badly because we are managed badly; we are forced to work badly by the prevailing system of economic relations and management.

The entire system of management was geared to the extensive, quantitative growth of production volume. Judging by the assortment and quantity of what we extract and produce and the number of commodities in which we rank highest in the world in terms of production volume, some people might believe that ours is a rich nation. Its citizens are poor, however, because, in the first place, not all of this is produced for them and, in the second place, we are so preoccupied with gross production indicators that we are incurring gigantic losses and making human sacrifices.

Let us return to the accident in the Bashkir ASSR. Amazingly enough, it did not come as a surprise to specialists. "Accidents are simply predetermined by the ministries' approach to their work.... The oil and gas industries have been stricken by an obsession with setting new records.... They had excellent gross indicators, breaking all earlier records. Little attention was

paid to the quality of construction, and technological requirements were violated.... Many of the pipelines that were laid so feverishly in the 1970s are now in a frankly deplorable state.... There are up to 20 major accidents on the main pipelines each year.... The condition of pipes during operation is poorly monitored...but no one is penalizing the ministries for unsatisfactory work"—this is how the press reacted.<sup>4</sup>

Another fundamental flaw in our system of economic management is the acceptance of certain expenditures, which cannot be surmounted. This problem is also related to quality.

According to experts, inflation in the USSR takes three forms: rising prices (the cost of living index), the increasing surplus savings of the population (the extra money which cannot be exchanged for goods), and declining product quality. Here are some figures. The number of washing machines and vacuum cleaners rejected in quality inspections was more than 1.5 times as high in 1988 (at a time of shortages) as in 1985, and one out of every four television sets in 1988 required repairs under warranty. According to the data of the State Committee for Statistics, enterprises producing goods for cultural and consumer purposes had to spend 95 million rubles in the first 6 months of 1988 to correct defects, and these were only the defects discovered during the warranty period. These losses have already been added to prices and therefore constitute one of the causes of rising prices. According to the data of the same committee, the rate of inflation in 1988 was 7.5 percent, but this did not include the rise in prices of consumer goods, which was accompanied by the deterioration of quality. According to the Scientific Research Institute of Economics of USSR Gosplan, inflation rose by 11 percent that year just as a result of this factor.

It is extremely doubtful that the so-called retail price reform of April 1991 will have a significant effect on product quality. It simply registers the existence of the expenditure mechanism in the economy and will perpetuate the augmentation of the consumer's burden with the outrageous losses resulting from inefficient management. Its negative impact is already apparent. The anticipated saturation of the market did not occur. The high prices have resulted in further losses, partly due to the spoilage of products. No one wants to buy cyanotic sausages at 12 rubles a kilogram. KURANTY reported that work had been stopped in the culinary shop of the fish combine in Vladivostok for almost a week when the trade network returned tons of prepared foods with overdue expiration dates to the combine after the prices of these delicacies had soared to 4-7 times the earlier figures. Expensive imported equipment is standing idle.<sup>5</sup>

With the prevailing monopoly in production and in trade, which extends, incidentally, to the new commercial structures as well, no liberalization of prices can help. The contract prices—i.e., virtually free prices—which were set for a whole array of so-called "luxury items" that are actually vital necessities, give enterprises

no incentive whatsoever to reduce overhead costs and produce goods at affordable prices. Why would a furniture factory make a cheap bed when it can make a bedroom set selling for 24,000 rubles, and newlyweds can just sleep on the floor?

Foreign experience, especially that of the Japanese, tells us that one of a firm's main management goals is the minimization of production costs by reducing losses and by constantly improving technology, labor processes, product quality, and the results of operations. Lower production costs produce lower prices, and without lowering the level of quality. This will be the competition strategy in all of the developed capitalist countries until the end of the millennium.

The economic consciousness of our managers is still not ready for the acceptance of the philosophy of the market and its very essence. The market is the regulator of supply and demand. If demand is satisfied by means of the limited distribution of goods and does not stimulate the growth of the supply, this is not a market. By the same token, a situation in which there is a supply, but there is no demand—in which there are sellers, but no buyers—is just as far from the market.

The market will only make its appearance when consumer satisfaction becomes the law for the producer and the motivation for production.

In our economy there is total disregard for the consumer (the user, client, and patient) everywhere, on all levels. The consumer is not the average statistical, disembodied "spirit of the people," but living beings, made of flesh and blood, with different needs and capabilities. This is the reason for the segmentation of the market and the differentiation of products. All of these are elementary facts to any Western manager. Each enterprise abroad must conduct market analyses and a marketing policy for the purpose of diversifying products—i.e., producing goods serving the same purpose but differing in quality, from expensive to affordable. There are stores for the poor along with magnificent emporiums in all countries. Why were such huge sums invested in the renovation of Moscow's "Passazh" when the average Soviet citizen cannot even venture inside? On the other hand, the cheap commission stores for used goods, where old women living on pensions could buy previously worn but still serviceable items for mere pennies, have been closed. Do we want to create a market only for the social elite? Then why invoke the slogan of social justice? It will be too late to learn marketing skills when the stores are full of expensive goods with no one to buy them. Anyone who cannot reorganize operations for the production of goods commensurate with demand will go bankrupt.

All of the thriving foreign firms are distinguished by a high degree of organizational efficiency. Our directors do not even know the meaning of the term. It is not simply production efficiency in the sense of clean and well-organized production. It is a moral-psychological atmosphere, a system of relations between managers and their

subordinates, based on respect for the individual, the absence of fear, and the encouragement of initiative. It is the ability to work together.

Everything connected with the term "collective" was considered to be an attribute of the socialist order, but the paradox in all of this is our inability to work collectively because we cannot listen to each other. Our idea of the "collective" presupposes arguments, shouting, and the elitism of the Novgorod Veche (the prototype of sessions of our congresses and soviets). In other countries, however, workers and employees are taught to solve problems collectively, and the Japanese have been particularly successful in this.

Without direct foreign investments, we cannot emerge from our economic crisis. Furthermore, we should not only attract foreign capital, but also establish guarantees and give Western managers a chance to manage the operations in which their capital has been invested, while our own managers serve as their understudies. Let them learn!

#### Footnotes

1. H. Karatsu, "How To Cope with the Gray Part of Management," in "International Conference on Quality Control Proceedings," Tokyo, 1987, pp viii-ix.
2. IZVESTIYA, 5 April 1991.
3. V. Zhuk and M. Shteynbok, "Reaction to Compatibility," OGONEK, 1989, No 21, pp 1-4.
4. PRAVDA, 7 June 1989; IZVESTIYA, 12 June 1989.
5. KURANTY, 10 April 1991, p 4.

#### Finances and Security—M.A. Portnoy

I would like to direct your attention to the group of financial problems making up an important part of the concept of economic security. The main short-term danger is our internal financial crisis, which is rapidly growing more severe and is turning into a financial disaster literally before our very eyes.

Paradoxically, the actions the union government has taken to stabilize finances have gradually intensified destructive processes. Furthermore, this is not occurring because the union government is incompetent in financial matters. On the contrary, the head of this government is known to be a professional of high standing in this field.

What then are the reasons for the discrepancies between the goals and results of our present financial-economic policy? They consist in the prolonged dismissal of a fundamental principle of economic activity, namely the unity of commercial and monetary relations. All current policy represents attempts to solve monetary problems in isolation from commercial problems. This is happening because the decades of thorough centralized planning and distribution gave rise to such a disdainful

approach to commercial relations that they are still, in spite of the declared transition to the market, being given an extremely narrow, if not primitive, interpretation.

If we are seriously planning to make the transition to the market, we should analyze exactly what the modern market economy represents in the developed countries of the world. This could give us an idea of the course we should take, the different stages in it, and the changes we will have to undergo. An impartial examination of economic processes indicates that the economic mechanism in the developed countries of the world today is the result of the development of commercial and monetary relations over a long period of time. Today's market is a highly developed system for the self-regulation of economic operations, the stability of which is secured through interaction by businessmen, social forces, and government agencies for the coordination of mutual interests. Commercial and monetary relations lie at the basis of the market, and their progressive development is a form of constant interaction.

In today's developed economy there is a tendency to convert all economic resources into commodities, and the movement of these is accomplished through the highly organized markets combining to make up the national and world economies. Today's commodities are products (means of production and consumer goods), services, manpower, business itself in the form of stock capital, and finally, monetary capital, engendered by credit resources. The present high level of mutual correspondence in the movement of money and real resources in the modern market economy is one of the main reasons why financial leverage can serve as a highly efficient means of economic regulation.

Our economy does not have healthy commercial relations yet. What we have now is degradation in the direction of natural exchange everywhere. In this atmosphere, the automatic use of Western recipes for the improvement of economic conditions, with an emphasis on financial stability, cannot lead to success, because the financial levers will be useless in the absence of commercial relations and will not move the economy in the desired direction.

The incorrect choice of priorities is a fundamental flaw in our economic policy. We should have begun by encouraging business activity in every way possible and vigorously cultivating autonomous economic units, beginning with the agroindustrial complex, light industry, and the service sphere. This would have quickly established the minimum necessary economic environment for the satisfaction of at least the society's practical requirements. This environment would have generated commercial relations which could have been regulated and could have responded to changes in financial policy, and it would have created a growing income base, which would have fed the state budget in the presence of an intelligent fiscal policy.

Measures aimed at financial recovery make sense only in combination with—or, better yet, following—measures to encourage business activity. What happened in our country was the opposite. As a result, the course the government chose will follow a logical pattern, dictating more and more measures of an essentially anti-market nature. It is not difficult to predict the sequence of events. The production cuts due to the collapse of economic ties, the unwarranted rise in wholesale prices, and the excessive fiscal appropriations of income will shrink the market for consumer goods and for investment commodities, crude resources, and materials. This will reduce the income base for the collection of taxes on profits. Wages and social benefits will continue to grow in response to the demands of the laboring public and other segments of the population. This will create a new disparity between the total amount of money in circulation and commodity stocks, forcing the government to choose between further price increases and fiscal reform.

After all of this, we will again face the need to carry out sweeping programs for the cultivation and stimulation of business, but under worse conditions. Understandably, programs of this kind would presuppose not only the passage of the necessary laws, some of which already exist, but also a purposeful and extensive policy of their enforcement, including guarantees that this policy itself will be irrevocable.

National economic indicators in the first quarter of 1991 serve as sad confirmation of these developments. According to preliminary data, the GNP was 8 percent below the figure for the first quarter of last year, and there were respective decreases of at least 10 percent in national income, 5 percent in industrial production, and more than 10 percent in construction and agriculture. The union budget deficit for the first quarter amounted to 31.1 billion rubles, exceeding the sum of 26.7 billion rubles which had been projected for the whole year of 1991. Judging by current political events, however, we need even more convincing arguments in favor of energetic efforts to stimulate business if we want to convince those who still do not believe this policy is necessary. The further disintegration of the economy by the middle of this year will probably serve as one of these arguments. Obviously, all of this demands the institution of emergency economic measures of a temporary nature to keep the economy alive.

The financial aspects of international economic security over the long range are connected with the constant growth of the USSR's foreign debt. According to Western sources, it is already close to 60 billion dollars. The common practice of soliciting foreign credit and then using it unproductively has already created the danger that the USSR will be unable to keep up with principal and interest payments in the near future. Some of the contributing factors are the reduction of our export potential, especially oil exports, and the decline of foreign currency receipts at a time of higher demand for imported foods and consumer goods as a result of the meager supply in the domestic market.

It is highly probable that we will have to ask for new credits in the next year or two in order to supply our population with food, clothing, footwear, and medicine. The resulting growth of our foreign debt will add nothing to our economic potential. Furthermore, within 2 or 3 years, or perhaps even sooner, we will find ourselves in the same position as Poland, the Latin American countries, and other large debtors. We will probably have to take major steps to restructure part of this debt with the international mechanisms that have already been tested on our predecessors.

The danger of foreign credit indebtedness, however, must not be exaggerated. World history testifies that the United States, the West European countries, and Japan were also debtors when they entered the world economy, and then many of the new industrial nations followed in their footsteps. With a view to this experience, we must immediately institute a long-range strategy for the attraction of direct foreign investments in the Soviet economy in addition to taking emergency anti-crisis measures. Direct investments of foreign capital will not put us in a debtor relationship and could be an effective alternative to credit. Our program, which should cover at least the next 10 or 15 years, should balance the need for the mass renovation of fixed assets with economic security interests. In this specific context, we must define the maximum shares of foreign capital participation in various branches.

We will have to change the procedure for the use of foreign credit in the future. The final recipients should be autonomous enterprises engaged in competition, and union and republic agencies should assume the role of guarantors.

In the final analysis, the choice is a simple one: We can either move energetically toward the market ourselves, using foreign experience and capital productively, or we can wait until our growing foreign debt and internal crisis force us to make decisions on the worst possible terms under the pressure of a hopeless situation.

#### **Foreign Trade and the Future Market—V.B. Spandaryan**

The transition to an open market economy, presupposing the USSR's active inclusion in the world economy and international market, will require us to take certain security measures and break through the psychological barriers engendered by ideological convictions.

First of all, we must expedite the passage of a law on foreign investments in the USSR, conforming to common world standards, and create conditions appealing to private foreign investors—i.e., we must offer them a national framework, profit transfer guarantees, the possibility of the international arbitration of

disputes and, finally, protection from requisitions. Without these minimum conditions, foreign capital will not enter our distressed economy. Even in the presence of these conditions, we will have to attract capital with additional privileges, because there is strong competition for capital in the international market on the part of developing countries and industrially developed states.

We must attract private foreign capital (private investments) to minimize the generally ineffective borrowing through government channels. We have spent colossal credits, mainly to pay for grain, foodstuffs, pipe, rolled metal products, chemicals, and consumer goods, all of which we can and must produce ourselves. Even the equipment imported on credit did not produce the desired results. The mountains of uninstalled equipment attest to this.

During the transition to the market economy, autonomous enterprises will be the main participants in economic operations. They will attract foreign capital and credits at their own risk. The state will simply assist them in this process by providing insurance, guarantees, etc. In this case, the impact of attracted foreign capital, technology, and managerial experience will be completely different.

The transition to a market economy will require a different approach to customs. The laws the USSR Supreme Soviet passed on customs tariffs and the customs code are extremely important documents. Without a unified customs policy, there can be no unified economic territory and no important instrument to protect the domestic market from strong foreign competition, dumping, etc. It is only today, at a time of pervasive shortages, that all imports are good and all exports are a necessary means of meeting payments. In a normal market economy, especially in view of the underdevelopment and low competitiveness of our industry and agriculture, we will have to consider ways of protecting the interests of national producers (our own enterprises, joint ventures, and even enterprises belonging completely to foreigners but operating in our economy and according to our laws). Imports will need licenses and quotas before exports (which do have them now), but, it goes without saying, within the framework of international law.

The focal point of our foreign economic strategy should be the maximum promotion of exports, without which we cannot have a positive balance of trade and payments, effective imports, a convertible ruble, the effective attraction of foreign capital in any form—credits, loans, and portfolio and direct investments—and, in time, the effective export of our own capital, instead of the squandering of funds on questionable "aid" to our political and ideological clients.

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**Chronicle of Soviet-American Relations (May 1991)**

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[Text] May

6—President E.A. Shevardnadze of the Soviet Foreign Policy Association went to the United States as the guest of the Aspen Institute for Humanitarian Research.

8—The Commission on Security and Cooperation in Europe of the U.S. Congress conducted hearings on the situation in the Baltic republics and heard the testimony of Chairman V. Landsbergis of the Lithuanian Supreme Council, Chairman E. Savisaar of the Estonian Government, and Chairman I. Godmanis of the Latvian Council of Ministers.

9—A supermarket was opened in Khabarovsk, the first commercial store in the Soviet Far East selling items shipped directly from the United States.

11—President M.S. Gorbachev of the USSR had a long telephone conversation with President G. Bush of the United States about the most important items on the Soviet-American agenda.

12—The two last Soviet SS-20 intermediate-range missiles were destroyed on the Kapustin Yar test site, 200 kilometers from Volgograd. Now the USSR and the United States have destroyed all of their 2,692 intermediate- and shorter-range missiles.

13—U.S. Secretary of State J. Baker and USSR Minister of Foreign Affairs A.A. Bessmertnykh had a meeting in Cairo. They discussed the possibilities of the peace process, particularly the prospects for a peace conference on the Middle East.

16—The document recording the USSR's affiliation with the INTELSTAT agreement of 20 August 1971 was submitted to the U.S. Government for safekeeping.

17—Joseph Brodsky, the Nobel Prize winner and former citizen of the USSR who emigrated to the United States in 1970, was named Poet Laureate of the United States.

20—A Soviet delegation, headed by USSR First Deputy Minister of Defense, Chief of General Staff of the USSR Armed Forces, Army General M.A. Moiseyev, arrived at Andrews Air Force Base near Washington. He conducted talks on arms control with U.S. Under Secretary of State for Security Assistance R. Bartholomew and had a meeting with U.S. National Security Adviser B. Scowcroft and General C. Powell, chairman of the Joint Chiefs of Staff of the U.S. Armed Forces.

25—M.S. Gorbachev had a meeting in the Kremlin with U.S. Deputy Secretary of Agriculture R. Crowder, the head of a group of American experts who had come to

the USSR to analyze the state of agricultural production and processing and of wholesale and retail trade in the USSR.

27—M.S. Gorbachev and G. Bush discussed important aspects of arms reduction and Soviet-American economic interaction in preparation for the scheduled summit meeting in a lengthy and constructive telephone conversation.

29—Ye.M. Primakov, member of the USSR Security Council, and First Deputy Prime Minister of the USSR V.I. Shcherbakov had a meeting with J. Baker in Washington. The American side was notified of the Soviet Government's latest plan for emerging from the state of crisis by stabilizing the economy during the progression to a market economy. G.A. Yavlinskiy, a member of a group of Soviet experts, and V.G. Komplektov, USSR ambassador to the United States, were also present.

29-31—The 14th annual meeting of the American-Soviet Trade and Economic Council was held in New York. Around 500 delegates represented the Soviet side at the meeting.

31—Another round of Soviet-American consultations on Asian-Pacific affairs began in Luxembourg.

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**Articles Not Translated**

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### United States in World Integration Processes

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[Article by Aleksandr Borisovich Parkanskiy, doctor of economic sciences and sector head at Institute of U.S. and Canadian Studies]

[Text] Economic and political affairs in the United States today are influenced by international economic interaction. Its intensity and scales testify that the United States is entering a new stage of economic and social internationalization, distinguished by active participation in the development of world integration processes. These processes have clearly defined regional patterns, which underwent serious changes in the 1970s and 1980s.

### American-West European Economic Relations

It would be difficult to overestimate the importance of economic interaction with Western Europe, the United States' long-time partner and rival, even though the expansion of American-West European economic ties was relatively slow in the 1970s and 1980s.<sup>1</sup> The total value of the exports and sales of subsidiaries of American corporations in the European Community (EC) alone amounts to around 600 billion dollars, which is three times as high as the volume of exports and sales in Canada and four times as high as in Japan.

The distinctive features of the United States' economic interaction with the EC countries occupying the most prominent position in American-European economic ties are the result of several factors. First of all, the EC countries are far less dependent on the American market than, for example, Canada or Japan. In the second place, commercial markets in the EC countries are more important to the U.S. economy than the Japanese and Canadian markets. Furthermore, the markets of the European Community are more important to producers in the United States than the American market is to the majority of EC exporters. There is a comparable pattern in the sphere of reciprocal exports of business capital.

More than half of the EC's international commodity turnover consists of trade within the region (57 percent at the end of the 1980s). Furthermore, even if trade within the EC is excluded from the data on the international trade of this group, the U.S. share of the community countries' exports will not be the largest—21 percent. The situation is similar in the imports of EC countries: Shipments from the United States constitute a relatively small portion of them, and it is exceeded considerably by the EC's relative share of American exports: The figures in 1988 were 16 percent and 21 percent.

The EC's largest trade partners are European states not belonging to this group—the countries of the European Free Trade Association (Austria, Switzerland, Iceland,

Norway, Sweden, and Finland) and the East European states. The reforms in the USSR and other countries of Eastern Europe and the creation of a united Germany also broadened possibilities for economic interaction with West European partners. We can expect Europe's participation in world integration processes to continue to be geared primarily to its own region, and the Atlantic region (not to mention others) to remain secondary (of course, only in the relative sense) over the medium range.

The further development of American-European economic interaction will depend largely on the consequences of the creation of the unified EC market, scheduled for 1992. The United States officially supports the intensification of European integration because American exporters and investors expect to gain major advantages from a thriving Europe. The main positive effect of the creation of the unified EC market on American corporations will be the elimination of the numerous intergovernmental barriers that are the reason for the presently fragmented nature of the EC market. The creation of the unified market will stimulate economic activity: These measures are expected to result in the creation of 1.8 million new jobs and additional demand for goods and services estimated 260 billion dollars. The creation of the unified EC market with 320 million consumers, with a demand totaling 1 trillion dollars, and with a single legal system will increase the flow of European capital into the United States. According to estimates, the giant "pan-European" companies will already have considerable surplus capital to export to other countries, including the United States, in the middle of the 1990s as a result of the liberalization of the movement of capital.

By the same token, the exacerbation of conflicts and the appearance of new disagreements in mutual trade can also be expected. An analysis of the basic guidelines of the officially declared EC international economic policy after 1992 suggests the future complication of exports to the EC, including exports from the United States. Above all, this will be connected with the use of new standards and technical requirements for goods in the unified EC market, which will differ from the present national ones, and in some cases even from international standards. Besides this, some types of goods imported by the EC might be subject to inspections and technical testing in Europe, and this will increase the operating costs of exporters considerably.

In the second place, Americans and other foreign exporters might encounter discrimination in the competition for government contracts in the EC. This market was estimated at 400-600 billion dollars at the end of the 1980s, which is equivalent to 10-15 percent of the GDP of the community countries. Only 2 percent of the government contracts in the different EC countries were awarded to firms in other countries of the integration group, and virtually none to companies in states outside the EC. After 1992, foreign firms will finally be able to bid on government contracts in the EC, but not on equal



terms—only in a few cases covered by GATT rules. In all other cases, in accordance with the proposals of the EC Commission, firms with products in which at least 50 percent of the materials and components are produced in the EC will have preferential rights.

In the third place, the European Community does not plan to give up the widely used group of customs and non-tariff barriers, including restrictions on imports of American steel and agricultural products. A comparable situation will also continue to exist in the EC's use of anti-dumping legislation.

Besides this, branches and subsidiaries of foreign companies specializing in the performance of services in EC markets could face difficulties. The European Community's policy on these firms will be based on the so-called reciprocity principle, which will jeopardize American interests in several areas.

It is obvious, nevertheless, that the economic interdependence of the United States and the European Community is already so profound that both sides probably will not cross the line beyond which they might seriously jeopardize each other's interests. Furthermore, the complication of the operational conditions of American and other foreign firms in the EC market will be connected less with stronger protectionism than with changes in its methods—on the whole, the level of the barriers will remain the same. The tendency toward union has already led to the establishment of a mechanism for consultations on the most acute problems connected with the new phase of West European integration. In particular, there is a mechanism for consultations on the standards which will be instituted in the EC in 1992.

The fact that the creation of the unified EC market will have more negative effects on Japanese companies than on American corporations is extremely important. The EC is expected to set stricter conditions on sales of Japanese automobiles, including those assembled in the EC countries (by increasing the percentage of EC-produced parts and materials in the total cost of automobiles as an essential condition for their acceptance as EC-produced vehicles). For a long time, there have been not only extremely strict quantitative limits (or quotas) on imports of Japanese automobiles, but also national and EC-wide quotas on imports of steel, machine tools, electrical equipment, and other goods, which are aimed primarily against Japanese products and which might become stricter after 1992. The EC has plans for the consistent use of the reciprocity principle in trade with Japan. In other words, it will "indulge" Japanese exporters only in the expectation of reciprocal measures to increase exports of their goods to the Japanese market.

In this context, the vigorous growth of Japanese direct private investments in the processing industry in the EC countries in recent years is not surprising. Even here, however, the Community will take steps to secure the kind of conditions in which the new enterprises will not be limited to the assembly of goods from Japanese-made

parts and components, but will have the most complete production cycle possible. The use of the reciprocity principle will seriously hurt the operations of Japanese banks and other firms in the service sphere in the EC. Therefore, the creation of the unified EC market could force Japanese exporters and investors to move some of their operations from Western Europe to America.

### Intensification of American-Japanese Integration

The growing role of Japan and other countries of the Asian-Pacific region (APR) in economic and political processes in the United States in recent decades might be viewed as a return to the structure of international relations in the years prior to World War II. Many of the factors contributing to the primarily West European economic orientation of the United States during the first postwar decades (the offer of direct assistance in the reinforcement of capitalism in Western Europe, the creation of the West European integration group, the limited potential of the war-ravaged Japanese market, and the American efforts to isolate the PRC) became less relevant in the 1970s and 1980s.

These changes, however, do not completely explain the recent shift in emphasis. The APR's relative significance in U.S. economic relations in the pre-war years has already been surpassed considerably. The main reason is that the APR today is the most rapidly developing part of the world. The countries of the region are actively involved in the processes of international division of labor, external factors are extremely important in their economic development, and integration processes are more intense. In the second half of the 1980s the region's share of world exports was comparable to the United States' share, and it is expected to increase to 25 percent by 1995 (10 percent for the United States). From 50 percent to 80 percent of the exports of Asian-Pacific countries and territories are sent to Pacific Rim partners, primarily the United States and Japan. The intensification of integration is also attested to by vigorous reciprocal flows of capital. Forecasts suggest that the processes of the regional internationalization of markets, production, and capital will grow stronger. According to the estimates of experts from the Mitsui Research Institute, the combined flows of capital, goods, information, and people between the countries of this region will be five or six times as great at the beginning of the next century as they were in 1990.

Nevertheless, the colossal potential of the APR countries as a sales market and a site of capital investment is not the only explanation for the increasing importance of the Pacific thrust of the internationalization of economic processes in the United States.

This is where the United States' main overseas economic partner is located, the same partner that presented the United States, as the leader of the world economy, with the strongest "challenge" to its strategic positions—Japan. The constantly growing strength of the United States' long-time Pacific rival, although this growth is

not as impressive as it was in the 1970s, has aroused worries about the possible negative effects of this process on the United States' strategic positions in world economics and politics. The successful sale of Japanese goods in the American and other markets, Japan's metamorphosis into the world's biggest creditor, and the sweeping programs launched in Japan with government assistance for work in the most important fields of scientific and technical progress are viewed by some American experts as the beginning of a lengthy process of demolition of the economic, scientific, and technical bases of the United States' global influence.

Protectionist measures to limit sales of goods from Japan in the American market are a traditional method of struggle against the Japanese rival. It is a well-known fact that Japan, along with the new industrial nations, became the main target of the restrictive measures the United States instituted in the 1980s.

Nevertheless, the realization that the effectiveness of protectionist measures is limited at a time of economic internationalization motivated the United States to seek other methods of exerting trade-policy pressure on Japan (and, incidentally, on other rivals as well). This is the main reason that the emphasis in U.S. trade policy on relations with Japan was shifted from the protection of the U.S. market to the broad-scale penetration of the Japanese market by American corporations. As a result, most of the American trade-policy actions in the 1980s were not intended to penalize Japan, but were expected to stimulate economic interdependence according to the U.S. scenario. Complaints about various aspects of bilateral relations gave way to the coordination of government economic regulation, science, technology, and foreign economic relations in Japan with economic processes in the United States.

The American policy line was objectively aimed at stimulating American-Japanese integration in the private sector and on the governmental level. Furthermore, the United States wants to make use of the advantages of Japan's still subordinate position. Above all, the United States hopes to make use of Japan's military-political dependence, which has been perpetuated by the permanence of the postwar balance of power in the region.

When American experts speak of Japan's military-political dependence on the United States, they are referring not only to the U.S. commitment to defend Japan against invasion from outside, but also to the way in which the U.S. military presence in the West Pacific and Indian Ocean as a whole and the U.S. military commitments to several other countries in the region either secure Japan's political and economic interests or pursue goals parallel to Japan's own goals. In particular, they point out the United States' decisive role in securing stability on the Korean peninsula and in Southeast Asia and its strong political influence in a situation in which the further development of Japanese-Chinese relations is unlikely to be devoid of elements of competition for influence in the region, and in which the prospects for

Japanese-Soviet relations are still highly uncertain. All of these factors have allowed Washington to expect Japan to continue relying on American military capabilities in the foreseeable future in spite of Japan's own vigorous military organizational development.

The United States is Japan's biggest trade partner, and Japan itself became the United States' main overseas trade partner long ago. The U.S. share of Japanese foreign trade increased from 20 to 30 percent between 1975 and 1989, and Japan's share of American foreign trade increased from 10 to 20 percent. The U.S. share of Japan's imports of finished manufactured goods is higher than in other developed capitalist countries with sales markets for American goods (with the exception of Canada). By the end of the 1980s it had risen to almost 10 percent, while the U.S. share of FRG imports was just over 8 percent, its share of French imports was 10 percent, and its share of Italian imports was 7 percent. Japan's share of American imports of finished goods is exceeded only by Canada's—25 percent. Whole sectors of Japanese industry are working primarily for the U.S. market. On the whole, Japan's dependence on the American sales market is twice as strong as England's, four times as strong as the FRG's, and almost five times as strong as France's.

The trade in high-technology items has displayed particularly rapid expansion. Japan's share of American imports of these goods rose from 28 percent in 1975 to over 36 percent in 1987, and the share of the other developed capitalist states fell from 36 to 31 percent (incidentally, the share of the "new industrial nations" of East Asia rose from 17 to 21 percent). There is evidence of the intensive development of division of labor in the most advanced branches of the processing industry in the United States and Japan.

Japan receives more than 40 percent of all American exports of coal and one-fourth of U.S. exports of non-energy resources. Japan's colossal raw material dependence is reflected to a considerable extent in its attachment to the United States. Approximately one-third of the American exports to Japan are agricultural commodities. The area in the United States on which they are produced for the Japanese market exceeds the area of all of the cultivated land in Japan. American shipments of foodstuffs and some crude resources play the decisive role in Japanese supplies, and Japan is becoming even more dependent on food from the United States. In particular, American shipments account for 94 percent of the corn and 56 percent of the wheat consumed in Japan.

In the last decade Japan became a major site of American private capital investment. The United States accounts for more than half of all foreign direct investments in Japan. Japanese direct private investments in the United States are growing even more quickly. Japan's share of the total value of foreign direct private investments in the United States rose from 6.4 percent in 1980 to 16.2 percent in 1988 (Canada's share decreased

from 15 to 8.3 percent in those years, and Western Europe's share remained almost the same). Japanese enterprises in U.S. industry and the service sector already employed 900,000 people in 1985 (approximately the same number of Japanese are employed at American enterprises in Japan). It is indicative that the flow of direct private investments from Japan underwent certain changes in the middle of the 1980s: The United States replaced the APR countries as the most appealing site of Japanese capital investment. The U.S. share of exported direct private Japanese capital investments rose from 27 percent in 1983 to 36 percent in 1988. Scientific and technical cooperation by American and Japanese firms is being developed intensively. Trade in technology alone exceeded 1.4 billion dollars in 1988.

Intergovernmental relations between the United States and Japan are highly active. Bilateral government committees, commissions, and task forces on state-of-the-art technology, power engineering, investment, industrial policy, trade, the capital market, wood products, beef and citrus fruit, standards, and so forth have been created and are operating. Foreign policy agencies hold consultations on economic issues every 6 months.

The idea of creating an American-Japanese free trade zone is constantly debated by officials and businessmen in the United States and Japan. The first to advocate the creation of this zone were U.S. Ambassador to Japan M. Mansfield and Japanese Ambassador to the United States N. Matsunaga. The idea was supported by Republican Congressman S. Gibbons, chairman of a subcommittee on trade of the House Budget Committee, and by R. Byrd, former Democratic Majority Leader in the Senate. Chairman L. Bentsen of the Senate Finance Committee instructed the Commission on International Trade to analyze the possible positive and negative aspects of the negotiation of a Japanese-American agreement on free trade (the commission's report was published in September 1988). In January 1988, more than 10 prominent American economists, headed by M. Friedman, published an appeal to the governments of the United States and Japan in the WASHINGTON POST, asking them to begin negotiating the creation of a zone of free trade between the two states.

Processes of U.S.-Japanese integration on the threshold of the 1990s, therefore, were no longer confined to productive forces and production relations, but began to extend to the superstructure as well. It is clear that the American-Japanese conflicts in the 1980s were largely the result of the intensification of the process of integration, during which the economies of the countries involved undergo highly contradictory "adjustments."

The increasing role of the developing countries and APR territories in the internationalization of economic affairs in the United States also led to the drafting of plans at the end of the 1980s for the creation of bilateral free trade zones, primarily between the United States and

Taiwan and South Korea—the United States' two largest partner-rivals in East Asia after Japan—and also the ASEAN.

These projects are far from realization, however, because the interests of the partners conflict in many areas. In particular, the establishment of this kind of zone between the United States and Taiwan could seriously complicate American-Chinese relations. Besides this, it could exacerbate U.S. conflicts with South Korea, Xianggang (Hong Kong), Singapore, Japan, and several other countries, because it would seriously jeopardize their interests in the American market. The conclusion of agreements on free trade with the United States would conflict with the need for South Korea and Taiwan to diversify their foreign trade and reduce the critical dependence of both economies on reproductive processes in the United States. The conclusion of this kind of agreement could also cause serious domestic political difficulties in South Korea because of the strong anti-American feelings of the South Korean public. This is also true of the plans to conclude an agreement on free trade between the United States and ASEAN.

The United States officially acknowledges the possibility of participation in the creation of a Pacific group. An analysis of various "Pacific theories" suggests that influential members of the business and scientific-political communities in the United States would like to use the creation of this group to solve certain problems in the region, and primarily to secure U.S. economic and political interests in this zone.

In June 1989 Secretary of State J. Baker advocated official consultations for the establishment of a new regional organization—"a new mechanism for the reinforcement of economic cooperation in the Pacific region." After commenting on "the rapid rate of Pacific economic integration," Baker said that the appropriate regional mechanisms to regulate the "effects of interdependence" were lacking here, "in contrast to Europe." Baker declared that "there is an indisputable need for a new mechanism of multilateral cooperation by the Pacific countries" and that American participation in the creation of this new institution would be a symbol of full and permanent presence in the region.

In his speech, the secretary of state mentioned three "key principles" on which the new organization should be based: 1) Its sphere of activity should include a broad range of issues—from economic relations to cultural exchanges and the protection of Pacific natural resources; 2) the new organization should promote the expansion of trade and investment and assist in the efforts of GATT, OECD, and such regional groups as ASEAN; 3) the "pan-Pacific" organization would acknowledge differences in socioeconomic systems and levels of economic development, but would assign priority to the principles of private initiative and a free market. This was the first announcement on the governmental level of the intention to establish a Pacific

regional integration group. The organization was established at the end of 1989—the Asian-Pacific Economic Conference (APEC). In contrast to two other large regional organizations—the Pacific Business Council, uniting big companies in all of the Pacific Rim countries, and the Pacific Economic Cooperation Conference (PECC), in which most of the countries of the region are represented by businessmen and by leaders of the scientific community and, unofficially, by government officials—APEC's members are a limited group of countries (the United States, Japan, Australia, Canada, the ASEAN countries, New Zealand, and the Republic of Korea) and they are represented officially on the ministerial level. Because adherence to the principles of a market economy is an essential condition for joining APEC, the membership of some countries in the region, including China and the USSR, is not being seriously considered at this time.

#### North American Integration Processes

A regional American-Canadian economic complex, in which the dominant role belongs to the United States, had already taken shape by the beginning of the 1980s. Canada's dependent position was the result of differences in the economic strength of the two countries and the fact that this process was relatively less important to the United States than to Canada.

Approximately 75-80 percent of Canada's exports, or up to 20 percent of the GNP, are sold in the United States. The Canadian market is also the largest market for U.S. goods, but it plays a relatively less important role: Around 25 percent of all U.S. exports (around 15 percent of Canada's GNP and just over 1 percent of the U.S. GNP) are sold there. In the sphere of direct private investments, the situation is similar: Canada is the main site of direct investment by American corporations (50.2 billion dollars in 1986), and the United States is the principal investor, accounting for 75 percent of all foreign direct private investments in Canada. Canadian investments in the United States are also sizable; in terms of value, they were comparable to American investments at the beginning of the 1990s. The U.S. share of Canadian direct private investments abroad rose from less than 53 percent in 1975 to 72 percent in 1984. Canada plays a relatively less important role in this sphere as well; Canada's share of foreign direct private investments in the United States was equivalent to 8.3 percent in 1988.

In recent decades, Canada's importance to American business has constantly declined in comparison with some other countries and regions. The role of ties with the United States in Canadian business has increased, however, particularly after the deterioration of conditions in world markets in the 1980s.

As a result, the United States has gained more perceptible advantages from integration than Canada, and in the 1980s this asymmetry began to threaten Canadian

capital. In January 1988 the American-Canadian agreement on free trade was signed, marking the beginning of a new qualitative stage in the development of integration processes between the two states.

In general, the conclusion of this agreement can be viewed as a completely logical step in the continued development of American-Canadian integration. It also, however, has certain distinguishing features: Both sides once preferred to keep this process primarily on the sectorial and corporate levels rather than the governmental level. Both sides apparently felt it would be more beneficial from the political and economic standpoints to avoid intergovernmental commitments, not to mention the creation of supranational integrative institutions. In the 1980s the primacy of operational freedom gave way to the stimulation of mutual integration and the intergovernmental regulation of this process. Participation in regional integration processes is viewed in the United States as a powerful way of consolidating international competitiveness in an atmosphere of fierce competition in world markets.

The processes of North American integration also extend to Mexico. For a long time U.S. plans envisaged the creation of a unified North American market, made up of the United States, Canada, and Mexico. In a 1979 law on trade agreements, the American Congress requested the President to analyze the prospects for the creation of a North American free trade zone. Presidents Reagan and Bush announced their support for a long-range program to secure free trade in North America. In the 1980s a bilateral commission on future American-Mexican agreements was formed to analyze the main problems in U.S.-Mexican interaction.

The structure and dynamics of U.S. economic relations with Mexico are similar to the American-Canadian model. First of all, there is the increasingly pronounced asymmetry of integration processes, combined with their indisputable intensification. Mexico's economic dependence is constantly growing stronger and has now reached critical proportions. There are qualitative differences, however, between the Mexican and Canadian situations because of the appreciable differences between an economically backward and slowly developing debtor-state and a developed industrial power.

It is also significant that in contrast to many "new industrial nations," Mexico only gave up the so-called "import-replacement" model of economic development and began participating actively in world integration processes a relatively short time ago. Until 1986, when the Mexican Government passed a resolution on cardinal changes in foreign economic policy and membership in the GATT, the Mexican economy developed behind high protectionist walls, excluding the possibility of serious international competition and predetermining low productivity growth rates, low rates of scientific and technical progress, and an underdeveloped economic structure.

The passage of this resolution in 1986 was followed by the elimination of many quantitative protectionist barriers, the reduction of customs duties, the devaluation of the peso, the stimulation of foreign investment, and other measures designed to "open up" the Mexican economy (but it is still far from completely open).

It is significant that this "opening up" was skewed in the direction of the United States, because Mexican producers were striving to gain advantages from the protracted period of economic growth in the United States. As a result, reproductive processes in Mexico were even more closely linked with the economic development of the United States by the beginning of the 1990s, and this did much to strengthen Mexico's desire for legal contracts guaranteeing steady access to American markets, preventing possible protectionist measures on the part of the United States, and lowering existing customs and non-tariff barriers (by the end of the 1980s, from 5 to 10 percent of Mexican commercial exports to the United States were affected by various restrictions). As a result, several American-Mexican agreements were signed to liberalize mutual trade.

In particular, agreements were concluded on the slight improvement of the conditions of Mexican access to the American markets for textiles, steel, beer, wine, and hard liquor. The Mexican side also proposed negotiations for the liberalization of mutual ties in four industrial sectors and four service sectors.

The Mexican leadership, headed by President C. Salinas de Gortari, simultaneously took vigorous action to stimulate commercial exports and other economic relations with East Asian countries. They ranked third in Mexico's foreign trade (after the United States and the EC states) by the end of the 1980s. The increase in Japan's role was particularly noticeable, and the relative share of Latin American countries decreased considerably.

More intense integration processes between the United States, Canada, and Mexico could motivate Japan (and the surrounding region) to display more willingness to interact with the North American integration complex. It is doubtful that the creation of an exclusive trilateral group and reduced participation in integration in the APR will be in the interest of the United States, Canada, and Mexico. It is no coincidence that when the Americans and Canadians were negotiating the establishment of a common market, the United States suggested the conclusion of a similar agreement to Japan. Canada has expressed support for the inclusion of Japan and Mexico in the processes of American-Canadian integration.

Therefore, in the last two decades there has been an increasingly tendency toward active U.S. participation in integration processes in the APR, but it would be wrong to speak of the United States' "repudiation" of Europe and other regions. The main sector of the United States' "second economy" is located in Western Europe; trade, reciprocal capital investment, and technology transfers are still growing in absolute terms.

We can probably say that these two areas of foreign economic interaction will soon be of equal significance to the United States. Because the main cause of this was the quicker socioeconomic development of the APR in the 1970s and 1980s in comparison with Europe and other regions, we can expect the accelerated development of the European region (and there are already signs of this) to make new changes in the external patterns of the internationalization of the U.S. economy.

The U.S. participation in world integration processes still has regional features, but it would be wrong to weigh one region against another. It is more probable that the United States is participating more and more actively in broader, interregional integration processes (particularly North American-Asian-Pacific) in the capacity of a uniting link in the tripolar system of global integration processes.

#### Footnotes

1. Between 1970 and 1988 Western Europe's share of the commercial exports and imports of the United States decreased from 33.5 to 27.3 percent and from 28 to 22.8 percent respectively, its share of foreign direct private capital investments in the United States declined from 72 to 65.8 percent, and its share of the direct investments of American corporations abroad rose from 31.4 to 46.6 percent.

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#### War in the Persian Gulf: Some Preliminary Results and Lessons

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#### [Text] Global Implications

*In the first place*, the war in the Persian Gulf has confirmed the accuracy of the belief that the arms race is the principal threat to the survival of the human race today. The use of not only weapons of mass destruction (nuclear, chemical, and biological weapons), but also the latest conventional arms could have such destructive consequences that it cannot help in the attainment of reasonable political goals.

Modern military technology at the service of excessive political ambitions poses a lethal threat primarily to those who choose to be aggressive and ignore the opinions of the civilized world.

*In the second place*, the war in the Persian Gulf proved that the cessation of the cold war in Europe and the normalization of Soviet-American relations cannot lead automatically to the relaxation of military and political tension in the Third World. On the contrary, the efforts

of regional power centers, such as Iraq, to dominate their neighbors and establish their own dominion in a particular part of the world are foremost here.

The significance of this transcends regional boundaries because seats of tension of this kind destabilize the world economy, and this affects the global balance of power.

*In the third place*, it is becoming obvious that the ideas of the new political thinking can be implemented only when they rest on a solid material foundation, and the only possible foundation of this kind is a genuinely global system of comprehensive security. Unfortunately, this structure does not exist yet. Only the first steps have been taken toward its creation, and these have only produced tangible results in Europe to date.

This situation could lead to more than just the simple transfer of sources of tension to the Third World. There is the danger that *East-West confrontation will be replaced by North-South confrontation*, a global conflict between developed and developing countries.

As the war in the Persian Gulf demonstrated, the main problem of the current phase of world development is the **absence of mechanisms to facilitate the orderly transition from the bipolar structure of the world to a new, pluralistic system of international relations**, based on interdependence and a balance of the interests of all sides. The system of military-political alliances the United States and the USSR created to fight the cold war (this applies to NATO as well as the Warsaw Pact) will be ineffective in this new situation.

Possible attempts by new power centers to increase their influence at the expense of other states (including the "superpowers") with the aid of traditional military methods can only compound existing problems. This applies not only to some of the Third World countries that are striving for regional dominion, but also to such economic giants as Germany and Japan.

The problem today consists in facilitating the necessary changes without disrupting military stability, or in strengthening military stability without interfering with objectively necessary international changes. This will require the quickest possible agreement on a new system of international security and actual steps toward its creation, including the establishment of a mechanism (1) to coordinate the security interests of the Soviet Union and United States; (2) to safeguard security on the regional level; (3) to guarantee global security.

Finally, interaction by all of the "floors" of the new security structure must be accomplished.

Therefore, today it is extremely important to keep the war in the Persian Gulf from interrupting the process of **positive changes in world politics**. We must consider ways of using the experience we accumulated when we were surmounting the after-effects of the cold war and then dismantle its structure so that we can step up the

development of the new mechanisms and the new system of mutual security based on a balance of the interests of all sides.

This will entail, on the one hand, *the extension of the processes of military detente to other parts of the world*, such as the Near and Middle East, southern Africa, and Central America and, on the other, *the establishment of a global system for the security of the world community*, which will require the use of the tremendous potential installed in the UN Charter.

It appears that this approach will be fully in line with the objective of strengthening the security of our own state. After all, we cannot afford the luxury of isolating ourselves from the outside world. On the contrary, we must strive for integration into the world economy and the development of mutually beneficial ties with the North and the South.

Furthermore, despite our country's serious internal difficulties, it appears that we can serve as one of the founders of the new world order and play an important role in postwar political regulation in the Middle East. A fundamental USSR-U.S. agreement on this was concluded by J. Baker and A. Bessmertnykh at their meeting in Kislovodsk. We supported the well-known Security Council resolutions on sanctions against the aggressor in accordance with the UN Charter. This approach gave the United Nations renewed authority by transforming the Security Council resolutions from "innocuous papers" into genuine sanctions by the world community.

#### **Military-Strategic Implications**

The war in the Persian Gulf had certain distinctive features. In addition to using the rapid deployment force of the Central Command, the United States transferred the 7th Army Corps from the FRG and six carrier task forces (over 540,000 personnel in all) to this zone. The number of American troops was almost twice as high as the number of U.S. troops in Western Europe prior to Iraq's aggression against Kuwait, and the American forces could use the weapons intended for the Central European theater in this zone.

In essence, after 40 days of offensive air operations, the war with Iraq was fought according to the scenario of the "air and land operation" developed for combat operations in Europe, but under more favorable conditions and against a much weaker opponent. This is the reason for its unbalanced nature, the minimal U.S. losses, and the total defeat of Iraq's armed forces. In addition, the results of the war have led to some preliminary conclusions about the latest tendencies in the development of warfare. The war demonstrated the following:

1) **The higher effectiveness of highly accurate, long-range conventional arms.** The "intelligent weapons," when used on a massive scale, proved to be capable of completing a mission which many once thought could only be carried out this quickly by nuclear weapons. In particular, this applies to the destruction of military

control, command, and communication systems, air defense systems, large quantities of military hardware and, finally, whole units of ground forces. The tendency toward the elimination of differences and lessening of disparities, at least those between tactical nuclear weapons and modern conventional arms, was confirmed;

2) **The changing correlation between attack systems (tanks, artillery, aircraft, missiles, etc.) and military command and informational support systems** ("command, communication, control, and intelligence," in American terminology). The United States won the war primarily because it was able to completely suppress the Iraqi armed forces' command and support systems, thereby paralyzing their resistance and turning Iraq's large supply of arms into a useless heap of scrap metal;

3) **The heightened significance of the human factor in contemporary warfare.** The qualitative superiority of American Armed Forces personnel allowed the United States to implement its technical superiority to the fullest extent possible. The professional army, fighting in a war of these dimensions for the first time in the 20th century, demonstrated its impressive fighting ability and low cost (from the standpoint of "cost-effectiveness" criteria);

4) **The heightened role of the "element of tactical surprise" in modern warfare.** The United States could not make use of the "element of strategic surprise": The concentration of its forces and the approximate date of the beginning of combat operations were known by the Iraqi command. In spite of this, the multinational force was able to use the advantages of surprise operations, and the time gain, which ultimately secured major strategic advantages, was equivalent to literally a few minutes. In other words, the time factor in conventional warfare acquired a new dimension and quality;

5) **The decisive significance of air supremacy.** For the first time in history, combat operations developed almost exactly in line with the classic plan of General Douhet. Of course, Israel's command of the air also played the leading role in the most recent Arab-Israeli conflicts, but ground battles decided the final outcome of the war. In this case, however, there were no ground battles as such. After the multinational force's massive air offensive, the Iraqi troops completely lost their fighting ability and could not resist the enemy ground forces.

6) **The heightened role of the strategic mobility of conventional armed forces and arms.** The United States demonstrated an ability to "project strength" by concentrating a group of forces in the Persian Gulf that was completely consistent with the requirements of the European theater of war. Consequently, the potential mobility the U.S. revealed is of a global nature and will allow the Americans to create the necessary group of forces and arms in virtually any part of the world;

7) **The further development of the contest between defensive and offensive systems and tactics in contemporary warfare.** The static defense of the traditional type (dating

back almost to World War I), to which the Iraqis essentially adhered, proved to be completely inadequate. The modern attack systems put the side on the defensive in the position of a "whipping boy." Iraq's inability to organize reliable defense along the entire front allowed the multinational force (supported by thorough intelligence data) to choose the direction least expected by the enemy for ground operations. This facilitated the actual encirclement of the remaining Iraqi troops and their decision to stop fighting.

The Iraqi side did, however, demonstrate the relative effectiveness of such means of passive defense as:

*maneuverability* (the United States could not destroy the majority of mobile SCUD launchers);

*deception* (during the first air strike the multinational force wasted large quantities of ammunition by firing on false targets expertly designed by the Iraqis);

*fortification* (the U.S. air strikes could not destroy the highly fortified underground command points of the political administration and most of Iraq's aircraft).

In turn, the United States demonstrated the relatively high effectiveness of active defense. It made extensive use of Patriot interceptor missiles, reconnaissance satellites, AWACS planes, and computers to intercept most of the missiles the Iraqis launched. Active defense proved to be more reliable than previously assumed.

On the whole, however, the war proved that, given the present technological level, *attack systems are superior to defense systems*. This applies to conventional arms as well as nuclear systems. Therefore, many of the postulates of the defensive military doctrine need to be reassessed.

In our opinion, although the ideas of the *defensive doctrine* are basically reasonable and sound, the conduct of *counteroffensive operations* requires clarification. The experience of the war in the Persian Gulf proved that the inability of the defensive side to organize a counterstrike dooms it to defeat. The side can only repulse or destroy invading forces if it is capable of delivering retaliatory strikes.

#### Middle Eastern Implications

It is obvious that the end of the war in the Persian Gulf is not enough in itself to alleviate tension in the Middle East. It is possible that the situation will be aggravated even more by the intensification of the arms race, including the proliferation of chemical weapons, and probably of nuclear weapons as well. The region could become the main sales market for the arms of the countries party to the Paris treaty, which will make large quantities of weapons available in addition to many of the production capacities of the military industry.

We can also assume that other contenders for regional supremacy will try to fill the "vacuum" that was created



by the defeat of Iraq. There could also be a new exacerbation of Arab-Israeli relations. It is possible that this will lead to a new, even bloodier and graver conflict in the Middle East in a few years.

Can it be prevented? If we simply wait and see what happens, if we do not seize the moment, it will be quite difficult to influence events in this part of the world, which is of crucial importance to our own security, in the postwar period.

Circumstances are favorable at this time: An extremely broad international coalition, uniting the overwhelming majority of the members of the world community and Middle Eastern states, has been formed. The USSR and the United States, Western Europe and Japan, as well as Egypt, Saudi Arabia, Syria, and Israel are all part of this coalition to some extent.

If the alliance should disintegrate for some reason, a historic opportunity will be lost for the extension of the positive processes of detente and cooperation to the Middle East—processes which began when the confrontation between the USSR and the United States ceased and when the cold war in Europe came to an end.

It is also possible that the coalition will continue to exist, but without the Soviet Union or even against it. In other words, it could serve as the basis for some kind of military-political association headed and controlled by the United States.

There is reason to believe, however, that the transformation of Soviet-American relations led to a departure from the U.S. policy of confrontation with the USSR in the Middle East. After the war in the Persian Gulf, American diplomats displayed their willingness to cooperate with the Soviet Union in convening a conference on regional regulation. Although the Pentagon wants to reinforce the American military presence in the Middle East and increase shipments of weapons to the United States' allies in the region, President G. Bush's initiative of late May was aimed at curbing the arms race because it presupposes measures to secure the nonproliferation of nuclear and chemical weapons and to limit shipments of conventional arms. This would establish effective prerequisites for the coordination of international efforts to lessen military tension in the Middle East.

The plan for a regional security framework should probably be based on interaction by the *outer circle* of parties to the process (the USSR, United States, Europe, Japan, China, India, etc.) and the *inner circle* (Israel, the Arab countries, and possibly Iran). In view of the nature of relations between Middle Eastern countries, the original momentum for the process can only come from outside.

**1. The limitation and regulation of arms shipments to the Middle East.** The need for this is quite obvious. To begin the process, for example, the parties to the Paris treaty could sign an *agreement on the limitation of Middle Eastern shipments of the tens of thousands of weapons they will be removing from operational status in line with*

*the treaty.* In view of the fact that until recently the Soviet Union was the largest supplier of weapons to the Arab countries, and in view of the tens of thousands of Soviet weapons that were moved from Europe to the other side of the Urals, some of which could be exported, we can probably make use of the West's interest in limiting shipments of Soviet arms to ask the NATO countries to assume similar commitments to limit their arms exports.

This will promote the ratification of the Paris treaty in the West, it will consolidate the changes it envisages, and it could serve as a good beginning for the "Vienna II" talks and encourage assistance in the conversion of the Soviet defense industry. This kind of agreement, which would be concluded as an "adjunct" to "Vienna I," would cover all of the leading arms exporters, whose share of world trade in this sphere exceeds 80 percent. Obviously, the conclusion of this kind of agreement will first require a Soviet-American agreement on this matter.

*Other arms exporters* outside Europe (China, Brazil, Argentina, etc.) could later be affiliated with the agreement in some way.

**2. The limitation of military technology transfers.** Obviously, an essential element of external efforts to secure arms control in the Middle East will be stricter rules governing the *nonproliferation of missile technology* (for ballistic and cruise missiles) in the region. Control and verification should also be instituted for the purpose of *preventing the production of chemical weapons and eliminating existing stockpiles* in the Middle East. The Soviet-American agreement of 1990 provides an opportunity for more intense effort to secure the signing of an international treaty banning chemical weapons.

*The prevention of a nuclear arms race in the Middle East* will be of crucial importance. The countries of the outer circle should set stricter limits on the export of nuclear technology and materials to the Middle East and require all countries in the region to observe the Treaty on the Nonproliferation of Nuclear Weapons unconditionally and to consent to all IAEA inspections.

**3. The promotion of regional transparency in the security sphere.** The countries of the outer circle should agree on the establishment (again, as an "adjunct to Vienna") of a *center to oversee shipments of arms and military technology to the Middle East*. It could operate along the same lines as CoCom [Coordinating Committee for Multilateral Export Control] or even be established as part of CoCom.

The countries of the outer circle, especially the USSR and the United States, could also the use of some of their national technical means, including reconnaissance satellites, for the constant observation of the situation in the region, dangerous troop transfers, the concentration of military hardware, etc. Ground stations could also be



established for this purpose. This observation and verification network could include a ground *center to monitor the situation* in the region, which could be located, for example, in Kuwait, and the monitoring equipment of the multinational force in the Sinai, and could later include the equipment used by UN forces on the cease-fire line between Israel and Lebanon, Syria and Jordan.

The states of the inner circle (the Arab countries and Israel) should probably be involved in interaction on the regional level at the same time that the other measures are being taken.

**4. The limitation of the arms race in the region.** The agreement of the arms exporters should be accompanied by *an agreement or statements by the Middle Eastern countries importing arms* on the observance of the restrictions imposed on arms and military technology transfers.

The signing of the Nuclear Nonproliferation Treaty by all of the states in the Middle East and their consent to IAEA inspections will be essential. An agreement should also be concluded (possibly on the regional level, by all of the Middle Eastern countries or at least the main ones) on the refusal to produce, use, and store chemical weapons.

The *signing of a declaration renouncing aggression and the use of military force* against neighboring countries by the Middle Eastern states would be important on the political level.

**5. The limitation of military confrontation in the Middle East.** The war in the Persian Gulf will evidently lead to the establishment of quantitative and qualitative *limits on Iraq's military potential under international control*. The possibility of planning similar measures for other Middle Eastern states should be considered. During this process, priority should be assigned to *confidence-building measures*, including the reduction of the number and scales of combat maneuvers, etc.

The conclusion of an agreement on the creation of several *zones of disengagement* (demilitarized zones, zones with a numerically limited group of armed forces, zones with specific numbers of offensive weapons, etc.) for the troops of Israel and the Arab states could be an important step in lowering the level of military tension, especially in the zone of Arab-Israeli confrontation.

Later, as the negotiating process develops, Israel and the Arab states could agree to a *more radical decrease in the number of armed forces personnel and the number of offensive weapons* (using some of the arms control methods tested in Europe).

**6. The creation of a conflict prevention mechanism.** Regional structures should also be established for direct interaction by Israel with neighboring Arab states in the security sphere. The first of these could be a *crisis prevention center* or a *crisis management center*. With a view to the distinctive features of the Middle Eastern

theater of war, the establishment of an *air space management center* would be important.

Later these structures could serve as the basis for a regional security system.

**8.[as published] Political settlement.** With a view to the cardinal differences between Europe, where the last war was 45 years ago, and the Middle East, where military confrontation has been virtually continuous in these 45 years and where there are countless territorial claims and extremely acute ethnic conflicts, it would be wise to avoid linking the establishment of a security framework and arms control in the region directly with the settlement of disputes.

A lower level of military danger would aid in creating favorable conditions for the start of a peace dialogue in the Middle East. The resolution of the Arab-Israeli conflict and the settlement of the Palestinian question in some form will require the creation of at least the minimal conditions for political interaction by Israel and the Arab states. We can assume that participation by Israel and the Arabs in carrying out the group of arms control measures and the measures to limit military confrontation will make this possible.

Political settlement could be accomplished at the same time as the creation of security structures, but it is most likely that the Arab-Israeli crisis in general and the Palestinian problem in particular will be solved only after the establishment of at least the first elements of a regional security system and the achievement of a level of civilized relations between Israel and the majority of Arab countries.

It appears that *the conclusion of an agreement between Israel and Syria would be of key importance* in this process. The fact that the existence of a common enemy motivated both states to join the anti-Iraq coalition suggests that the Soviet Union might be able to mediate between them. This would give us a chance to strengthen ties with a traditional ally and acquire a new partner in the region.

The settlement of the *Palestinian question*, whatever form it might take, should not, despite its importance in the Arab-Israeli conflict, be viewed as a preliminary condition for the lessening of military tension between Israel and Syria and other Arab states. Furthermore, the flagrant errors Y. 'Arafat made during the crisis in the Persian Gulf and his collaboration with S. Husayn discredited the present PLO leadership. It is possible that this will cause more delays in the settlement of the Palestinian question.

To prevent this, it would be wise for the *USSR to join the United States in organizing talks* on the Palestinian question in the capacity of "sponsors," guarantors, etc. It would be best to convene an *international conference* during the period of postwar regulation. It is probable that relevant UN resolutions could serve as the legal basis for the commencement of this process—for

example, resolutions on the organization of an international conference on security issues and arms reduction in the Middle East under Security Council auspices, the co-chairmen of which could be the USSR and United States.

### Problems of Creating International Security System

**1. The issue of arms control.** It is completely obvious that the creation of delays in the talks on the limitation and reduction of strategic offensive arms by discussing extraneous matters could have extremely negative implications and slow down the construction of the new security system. For this reason, *the process must be given new political momentum so that a treaty can be concluded this year.*

Meanwhile, we can begin considering further ways of strengthening strategic stability on a lower level of the nuclear balance to make the process continuous and prevent the repetition of the interval between SALT I and SALT II in the 1970s. Perhaps some of the agreed additions to the treaty on the reduction of strategic offensive arms (START I) should be incorporated as soon as the USSR and United States reach a mutual understanding, without waiting for the conclusion of the next treaty (START II).

This could apply to the systems and weapons of strategic attack and of strategic defense. It would also be wise to consider ways of involving other nuclear powers in arms control, either directly or indirectly, in the future. In general, this process should acquire a more multilateral nature if possible.

**2. Conversion issues.** *The dismantling of the confrontation mechanism we inherited from the cold war years will also require the reduction of its material basis—i.e., the military-industrial potential created to keep the arms race going.* Now the USSR, the United States, and several other countries are reducing their military expenditures and arms production. The possibility of reversing this process, however, still exists. To make it irreversible, we must consider the *coordination of parallel moves for the reduction of defense budgets and the conversion of defense industry.*

We could also consider a mechanism for closer *interaction by USSR and U.S. military agencies.* In essence, we are already seeing elements of joint military planning in the sphere of strategic arms and conventional armed forces in Europe in the arms reduction talks. Perhaps the sphere of cooperation should be expanded.

**3. European Implications.** The USSR and the United States, as well as their allies, should intensify the *creation of a Europe-wide security structure not based on blocs.* This will not require the immediate elimination of such alliances as NATO, which could be integrated into the new system, but only as organizations of a political nature. It would, however, require the stepped-up establishment of the new multinational institutions of European security and the quickest possible transition to the

next phase of negotiation (Vienna II) on the level of individual countries instead of blocs.

In particular, this approach would help in securing the effective limitation of Germany's military potential. The common Western belief that only NATO can control German military strength is unlikely to hold up for long because German armed forces will constitute the basis of the North Atlantic alliance's military organization after the withdrawal of the Soviet troops and the considerable reduction of the military presence of the United States as well as of England and France in Germany.

The new features of interrelations in Europe could lead to cooperation in carrying out such large-scale measures as the redeployment of the almost 600,000 Soviet servicemen and the members of their families who are to be moved from Eastern Europe to the USSR and the resolution of the resulting problems. Actions of this kind would not only have a favorable effect on public opinion, but would also help (along with arms reduction and confidence-building measures) lay the basis for future non-confrontational interaction in the military sphere.

**4. International security and the Third World.** The need for joint action is particularly apparent today in connection with the conflict in the *Persian Gulf.* If the cold war were still going on, Saddam Huseyn's adventure may have had the most dire consequences. Even the present situation, however, testifies in favor of the closer coordination of USSR and U.S. approaches to crises of this kind.

From the standpoint of Soviet-American relations, it will be extremely disturbing if the disengagement of the armed forces of the two powers in Europe, a process which is just beginning, is followed by the appearance of a new balance of military confrontation in the Middle East. Apparently, this could be avoided by establishing the necessary level of forms of interaction that would prevent a conflict of Soviet and U.S. interests and simultaneously stimulate detente between the countries of the region.

The possibility of this kind of interaction in the *Far East* should be investigated. In particular, this will be necessary in connection with the prospect of the peaceful reunification of Korea as the last state divided in the cold war years. The prevention of the excessive growth of Japan's military potential will be equally important. In any case, the extension of arms control measures to this region seems just as important as the creation of a new security system in Europe.

Consequently, there is the need to consider a **package of joint Soviet-American initiatives** on regional issues. The main objective here will be constant interaction by the USSR and the United States in the limitation of arms and military technology transfers to explosive regions. The most important measures will be those *precluding the transfer of the center of the arms race to the Third*

*World*, particularly the transfer of modern military technology, including ballistic and cruise missiles, and the institution of an effective framework to secure the non-proliferation of nuclear weapons and the prohibition of chemical weapons.

We should also do everything within our power to **prevent the possible negative effects of the Paris treaty on the situation in other parts of the world**. These accords should not be followed by large-scale transfers of the arms subject to reduction to the Third World or the augmentation of arms exports with the suddenly available production capacities of the defense industry in developed states. It would also be desirable for importers to acknowledge the exporters' agreement.

This would provide strong momentum for the extension of military detente to other parts of the world. This would make the **creation of new regional security systems** possible. Although these would differ considerably from the European system, they should all contain some of the elements of arms control tested in Europe.

Above all, this applies to stronger *confidence-building measures*, the creation of various *zones* in which military activity would be prohibited or limited, and the establishment of *conflict prevention and management centers*.

Cooperation by the USSR and the United States, for example, in the limitation of arms shipments to various parts of the Third World could stimulate the *spread of arms control measures and establish the prerequisites for the negotiating process needed to settle political issues*, including regional conflicts. Obviously, the Soviet Union and the United States, which have the most experience in arms control, could stimulate regional processes of military detente. They could also participate as guarantors in military-political settlements in crisis zones.

Interaction by the USSR and the United States in the guarantee of international security should also be considered in connection with potential conflicts in the Third World. This kind of coordination could include some *measures of a preventive nature*, such as coordinated or even joint combat maneuvers on a limited scale (under the auspices of the UN Military Staff Committee, for example). This would help some ambitious leaders avoid Saddam Huseyn's illusions about the impunity of military ventures.

**5. The role of the United Nations.** What would have the greatest impact, however, would be **the use of the potential installed in the UN Charter for the maintenance of peace on the global scale**. The end of the cold war brought this organization out of its state of paralysis. It displayed its increased effectiveness, for example, in its resolution of the Namibian problem. The recent Security Council resolutions on the sanctions connected with Iraq's aggression against Kuwait testify that the United Nations could play a fundamentally new role, which would be far preferable to unilateral intervention by the great powers for the performance of police functions. The sad experience of the military intervention in

Vietnam and Afghanistan and the danger that the East-West conflict could be replaced by a North-South conflict demand the creation of a *truly multilateral mechanism to safeguard international security*.

The time has come for Soviet-American actions to establish the kind of effective **Military Staff committee** the UN Charter envisages. This agency could be responsible for the routine management of the multinational UN peacekeeping forces. The role of the USSR and the United States would probably consist primarily in logistic and informational (monitoring) support for the permanent units and would only include the direct use of their military units to keep the peace in extreme cases.

In view of the fact that the war against Iraq was fought on the basis of UN Security Council resolutions, it might be best to suggest that any presence by foreign troops in Kuwait and any other country of the Persian Gulf after the war would be possible only within the framework of the *UN multinational force in the Middle East*. These troops could be relatively few in number and could guarantee the prevention of new acts of aggression in the Middle East on any side whatsoever. We must think about the legal basis of these guarantees, including a Security Council resolution on the inadmissibility of aggression, the occupation of foreign territory, and the alteration of internationally recognized state borders by force. The UN multinational force could include troops representing the permanent members of the Security Council as well as India, Brazil, and other countries in addition to subunits from Arab countries.

The United Nations could perform its functions in cooperation with *regional security organizations*. By taking action through the Security Council and through bilateral coordinating institutions, the USSR and the United States would be fully capable of securing the effectiveness of the mechanism maintaining military stability during the transition from confrontation to the new system of international relations.

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### **Berlin Crisis of 1948 in Soviet-American Relations**

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[Text] The examination of the Berlin crisis of 1948 in the context of Soviet-American relations is far from coincidental. In the first place, the events were misrepresented by Soviet historians for political reasons.<sup>1</sup> In the second place, it was then that the final move toward confrontation was made: Diverging views on the future of Europe gave rise to Soviet-American confrontation, Germany and Berlin were divided, and the cold war began. After

Roosevelt's "thaw" and the ally relationship of the war years, the armies of the two countries were suddenly each other's geopolitical opponents.

### **Soviet Union's Rejection of Marshall Plan**

In our opinion, the disagreements over the plan for economic aid to Europe, which was proposed by U.S. Secretary of State G. Marshall, the policies of the USSR and the Western powers in Germany, and the communist coup in Prague in February 1948 were precursors of the Berlin crisis. The Marshall Plan was officially addressed to the Soviet Union as well. Aid was offered to all "for the restoration of the world's economies and the guarantee of the political and social conditions" necessary for the existence of "free nations."<sup>2</sup>

No one in the West had any illusions about what was happening in the USSR during the period of Stalinism. The American leadership knew all of the details of the political purges and pervasive terror.

In other words, the Marshall Plan, in our opinion, was not only a way to save Europe from communism, but was also a chance for the USSR to become an open democratic society with a market economy. It was a mistake to see something that was vitally necessary for the maintenance of international security, and for the inclusion of our country in the world economic system, as an infringement of the Soviet Union's sovereignty. At a special conference of foreign ministers in Paris on 2 July 1947, however, V.M. Molotov rejected the proffered aid on orders from I.V. Stalin. As we know, history played a dirty trick on us: 40 years later, after seeing socialism suffer a crisis of unprecedented severity and proportions, our country has had to launch a quest for what was being handed to it on a platter in 1947.

An equally important prerequisite, and in some respects a rehearsal, for the Berlin crisis was the so-called revolution—which could be more precisely described as a pro-Soviet coup—in Prague in February 1948. The government of E. Benes, including the communists headed by C. Gottwald, expressed a desire to accept the economic aid offered by the Marshall Plan and incurred the anger of I.V. Stalin. The Soviet leader summoned the leaders of the Czech Communist Party to the Kremlin to personally express his dissatisfaction and also arranged for critical speeches, with A.A. Zhdanov's help, at the first constituent congress of the Cominform in September 1947, thereby forcing the Czechoslovak communists to change their minds. Zhdanov announced that imperialist circles, especially the United States, were making preparations for a world war against the USSR and the countries of popular democracy and set the first objective for the world communist movement—struggle against American imperialism, the main enemy of peace and socialism, and against its infiltration of Europe.<sup>4</sup> The Kremlin responded to W. Churchill's speech in Fulton a year later. We must remember, however, that Churchill was already the ex-premier at that time, and

President Truman was not expressing such frankly anti-Soviet views. This, however, did not save Soviet-American relations: The USSR chose overt estrangement from the United States and confrontation with it. When Stalin revised the borders of Europe after World War II, he apparently knew that he would have to deal with the attempts of the "partitioned" states to recover their earlier territories, and he was preparing the countries in the Soviet sphere of influence to defend their new borders.

In February 1948 the communists in Czechoslovakia provoked a government crisis, resulting in a takeover by the government of C. Gottwald. It is particularly significant that the army and militia were ready for a putsch, but it turned out to be simply unnecessary.<sup>5</sup>

The events in Prague showed the West that the USSR was continuing its imperious policy of annexation with new force and in a new form. This is precisely why Washington was so intolerant of Soviet expansionism at the time of the Berlin crisis.

Incidentally, it is unlikely that the Stalinist leadership was always acting according to a previously compiled plan envisaging the seizure of Eastern Europe. The Soviet Army's liberating mission in Europe in the final stage of World War II was also instrumental in intensifying the popular movements. Moscow simply took advantage of the situation in its own interest by offering aid to the pro-Soviet forces.

The situation in Germany was different, however. Here Soviet policy clearly revealed a definite thrust in the attempts to subordinate Germany or at least part of it and to create a corridor of security from the Bug to the Oder. By the terms of the Yalta and Potsdam agreements, the USSR took command of the northern portion of East Prussia, and the German territories east of the Oder and Neisse and the city of Danzig were put under Polish administration. Besides this, a pro-Soviet regime was installed in East Germany and the corresponding economic system began to be established.

Today we ask ourselves the rhetorical question of just how necessary all of these steps were. Could they really have strengthened the security of the world and the USSR? Could the heavy reparations and the seizure of land pacify the Germans or did they do the opposite and lay the foundation for revanchism? Regrettably, it appears that they did the latter.

In our opinion, the explanation of the Berlin crisis as part of the whole process of the partition of Europe sounds more convincing.

### **Beginning of the Berlin Crisis**

In 1948 the United States, England, and France realized they could no longer tolerate the Soviet Union's predatory economic policy in the occupied territory of Germany. In their opinion, this policy, which was modeled on the Soviet one, could not secure the quick and

effective restoration of the German economy. Nevertheless, no one in the United States could have foreseen that the American side's transfer of the equipment for making German marks to Soviet representatives would have caused financial chaos soon afterward: The issuance of unlimited quantities of currency escalated inflationary processes and led to an economic crisis which extended to the Western zones of occupation.

Because the governments of the United States, England, and France were suffering constant losses for which the USSR was to blame, they decided to convene a conference in London in February 1948, without representatives from the USSR, to discuss the future government of West Germany, control of the Ruhr region, security issues, and reparations. In response to this, the Soviet Government sent a note to the Government of Great Britain on 13 February, condemning the "separate actions" of the three countries.<sup>6</sup> At the end of January Stalin had already been seeking an opportunity for a meeting with President Truman for the purpose of finding points of coinciding interests and lessening the tension in Soviet-American relations, but Truman did not want to go to Moscow and Stalin did not want to go to Washington. In this way, an opportunity to slow down the development of the cold war, if not to smother it in the cradle, was lost.

The London conference was held, and the governments of Great Britain, the United States, and France received a second note from the USSR. It condemned the "separate meetings and decisions on the German question" and criticized the creation of the Anglo-French bi-zone in 1946 and the continued efforts of the West to divide Germany. The fact is that, by the terms of the Yalta and Potsdam agreements, which defined the zones of occupation in Germany, the Soviet Union could participate in the administration of all four zones. Any dismemberment of Germany would have deprived the Stalin leadership of control over these territories. The lack of access to the Ruhr, by the same token, would have blocked the main raw material artery of the East German economy.

The rift grew more pronounced at a meeting of the Allied Control Council responsible for the quadripartite administration of Germany. On 20 March, Marshal V.D. Sokolovskiy, the head of the Soviet military administration in the occupied country, made a statement in which the London conference was called a "secret plot." The Control Council was effectively declared non-existent as the organ of supreme authority in Germany,<sup>7</sup> and it was reported that the USSR delegation would walk out of the meeting of the Allied Control Council and withdraw from the council. A short time later, Lt. Gen. Dratvin, the Soviet military governor of Berlin, informed General Gailey, the American military governor, in a letter that additional rules of communication between the Soviet and American occupation zones in Germany would go into effect on 1 April 1948. The new procedures were contrary to the practices established by the quadripartite

agreement on Berlin, according to which American citizens and vehicles would not subject to control or inspection.<sup>8</sup>

In his response of 31 March 1948, the American general unequivocally said that the Soviet side's steps were inadmissible and that this kind of unilateral change in policy could not be condoned by the United States. He also stressed that the new rules were inconsistent with the agreement on unimpeded traffic to and from Berlin along the established corridors. On 3 April Lt. Gen. Dratvin said in a letter to the American military governor that no agreement of this kind did exist.<sup>9</sup> The American side had trouble agreeing with this.

On 1 April 1948 the USSR took the first steps which led to the blockade of Berlin: An American passenger train and then some British trains were stopped at the border of the Soviet zone for inspection and were then turned back when they refused to undergo this procedure. On 1 April the Soviet authorities stopped letting postal vehicles from Berlin cross the border, demanding what the American side referred to as additional "papers of an unspecified nature." On 3 April the railway connections between Hamburg and Berlin and Bavaria and Berlin were blocked and all trains were ordered to enter Berlin through Helmstedt. Later the American side was asked to evacuate the communication forces stationed in Weimar (in the Soviet zone) before 15 April. On 12 June the Soviet authorities closed the highway bridge across the Elbe on the pretext of repairs and replaced it with a ferry and a bypass. On 16 June the Soviet delegation walked out of a meeting of the Allied Control Council in Berlin.<sup>10</sup>

This was the final action of the first phase—the preamble to the crisis. What happened during this phase was that the Soviet authorities responded to the separate conference of the three Western powers in London—i.e., the attempt to deprive the USSR of a chance to join them in deciding the future of West Germany—by taking several measures to limit traffic to and from Berlin. This was a signal that Berlin could easily become the USSR's hostage if the West did not agree to restore the status quo. To the United States and the other Western countries, this signified, in the first place, the intensification of the crisis in Germany and the impossibility of restoring the German economy in the foreseeable future and, in the second place, the danger of the spread of socialism.

The next phase in the development of events was distinguished by the escalation of Soviet-American confrontation. In response to an announcement of a currency reform in all of West Germany with the exception of the Western zones of Berlin, the Soviet authorities blocked all railroad and highway traffic to Berlin from the western and eastern halves of Germany on 19 June. Because of the extensive and protracted nature of the preparations for the currency reform, it could not have been such a big surprise to the Soviet Government. The West tried to work with Moscow in finding a constructive solution to the possible problems engendered by

currency reform in Berlin, including an influx of money from the Western zones. The first invitation to discuss the matter, however, was refused by the Soviet Union. On 22 June England, France, and the United States managed to convene a quadripartite conference in spite of this. The USSR categorically insisted on the retention of the existing currency in the Soviet zone. As soon as the conference was over, the Soviet authorities published an order on currency reform not only in the Soviet occupation zone, but also in the "greater Berlin" area (i.e., all of Berlin).<sup>11</sup> The reform was supposed to guard the Eastern zone from Western money, but it could also have made the Western zone economically dependent on its Eastern neighbors. Realizing the impossibility of reaching an agreement on Berlin's money problems within the quadripartite framework, the Western powers officially announced their intention to use a mark stamped with a letter "B" in the Western sectors of Berlin on 23 June. That same day the Soviet side blocked all railroad and highway traffic to the city "for technical reasons," and shortly before midnight the coal shortage was used as an excuse to shut off the supply of electrical power from the Central Berlin Power Plant, which was in the Soviet sector, to the Western zones of Germany and Berlin.

The conflict escalated. The two sides took steps in opposite directions, without trying to stop and find a basis for a mutual understanding.

On 24 June the USSR stopped all deliveries of supplies to the Western sectors of Berlin from the Soviet zones by setting up a blockade and thereby violating the quadripartite agreement on the joint provision of the city with all necessary supplies. An exchange of letters between General B. Robertson and Marshal Sokolovskiy on 26 and 29 June explained that the restriction of access to Berlin was an attempt to guard the city against an influx of currency from the West and that railroad connections would be restored soon.

For the first time since the beginning of April there was the hope that the situation might be rectified in some way. The military commanders—Generals Robertson, Noiret, and Clay—went to see Marshal Sokolovskiy on 3 July to demonstrate the West's political willingness to cooperate and offered him technical assistance in restoring connections with Berlin. Sokolovskiy refused the offer of assistance and advised them that the main reason for the traffic restrictions were the London conference and the recent economic turmoil in the Soviet zone resulting from the Western currency reform. He "could not guarantee that new technical problems would not crop up as soon as the existing ones had been solved."<sup>12</sup> It became clear that the Berlin problem could not be solved on the local level.

#### Talks in Moscow

On 6 July the governments of the United States, Great Britain, and France sent notes with identical messages to the Government of the USSR through Soviet representatives in Washington, London, and Paris. The U.S. note

specifically directed the attention of the Soviet leadership to the "extremely serious international situation" caused by "the direct violations (by the Soviet side—D.A.) of existing agreements on the administration of Berlin by the four occupying powers," including the agreement Truman and Stalin had reached on 6 June 1945 on unimpeded access to Berlin.<sup>13</sup>

The Soviet Government's reply of 14 July spoke openly of Berlin as part of the Soviet zone for the first time and stressed that the future of the city could not be separated from the future of all Germany. Moscow reminded the other powers that, in accordance with the agreement of Truman and Stalin, the Soviet Army had entered Berlin in exchange for the right to station allied forces in Vienna later.<sup>14</sup> Under the new conditions, this meant that the West could lose control of Vienna.

The governments of the Western powers called the Soviet Union's response unsatisfactory. They decided to discuss the urgent problems with Soviet Foreign Minister V.M. Molotov. At his preliminary meeting with the ambassadors of the three powers on 31 July, Molotov stressed that the talks would be held only if the Berlin crisis could be linked with the situation in all of Germany. This meant that the blockade had finally made Berlin the USSR's hostage in a political bargaining session, in which the Soviet leadership of that time demanded the restoration of its own influence in the bodies for the joint administration of all Germany as the ransom for the release of Berlin.

Representatives of the three powers had their first meeting with Stalin on 2 August 1948. At the beginning of the meeting, American Ambassador W. Smith read a statement addressed to Stalin. It stressed that although the Soviet authorities had taken unlawful actions against Berlin, the Western countries did not want the situation to grow worse and were offering to cooperate in the resolution of all problems. They also offered to discuss the issue of currency reform, but only if the discussions did not apply to the situation in all of Germany. The West's demand for the immediate removal of the blockade remained firm.

A conversation lasting 2 hours revealed fundamental differences in the sides' views on the right of the three powers to occupy Berlin. After Stalin was unable to rescind the decisions of the London conference, he asserted that if the Western representatives wanted to solve the problems that same night, all they had to do was to agree with two of his proposals:

The mark used in the Soviet zone would be used throughout Berlin—in other words, the mark stamped with a "B" would be replaced by the earlier mark—and all restrictions on access to Berlin would be lifted simultaneously;

Stalin withdrew the unconditional demand for the postponement of the implementation of the London conference resolutions (i.e., the creation of the West German

Government), but asked that it be registered as an the urgent request of the Soviet Government.<sup>15</sup>

In other words, the Soviet leader's initiative, which had been conveyed in such a spectacular manner, was an attempt to postpone the establishment of the FRG. The condition the United States set in response was quadripartite control over the circulation of money in all of Berlin and the different currencies in the Eastern and Western zones of occupied Germany.<sup>16</sup> On 6 August the West agreed to a single "Soviet" mark for Berlin. The reason that Stalin's insistence on this mark had been so emphatic was that he was trying to solve the main problem—the problem of the FRG. Each side was primarily concerned about its own political interests and the preservation of its own version of the status quo.

In the beginning of August, before the second meeting with Stalin, talks with the USSR foreign minister were organized to prepare a draft treaty. Smith represented all three Western powers, as he had throughout the Berlin crisis, and this made American-Soviet relations the decisive factor in settling the crisis.

Moscow's position, in the opinion of American participants, was based on the assertion that earlier agreements on Germany and Berlin had expired and that Berlin would be part of the Soviet occupation zone in the future. Western diplomats suggested that all restrictions on access to Berlin be lifted before the talks. The Soviet side preferred the opposite sequence, however. In his speeches, Molotov suggested that Germany had already been split in half and that there were two capitals—Frankfurt in the West and Berlin in the East. In particular, he said that "the Soviet Government is not insisting on quadripartite control of Frankfurt, and the Western powers naturally cannot insist on quadripartite control of Berlin."<sup>17</sup> The purpose of the Soviet maneuvers was the postponement of the creation of the FRG, which would have deprived East Germany of a major economic partner.

When the Western powers tried to supplement the Soviet proposal on the use of the "Soviet" mark in West Berlin with quadripartite administration of the financial mechanism of the whole city, the talks broke down completely.

When the English, French, and U.S. representatives were unable to find a compromise at the talks with Molotov, they decided to have another meeting with Stalin. During a conversation on 23 August, however, Molotov suddenly displayed flexibility by suggesting an agreement lifting some of the restrictions on access to Berlin, and Stalin went even further by promising to lift all of the restrictions. He hoped that the Western leaders would respond by honoring his request for the postponement of the London conference resolutions. At Stalin's suggestion, the problem of control over the exchange and issuance of currency was transferred to the jurisdiction of the military administrators of the four powers.

The talks resulted in a directive from the governments of the USSR, United States, Great Britain, and France to the four commanders in chief of the occupation forces in Germany on 30 August 1948. It ordered the removal of all recent trade, transport, and other restrictions on communications between Berlin and the Western occupation zones. The simultaneous institution of the "Soviet" mark as the only currency for all of Berlin was stipulated as a condition. The Western mark stamped "B" was removed from circulation. A financial commission made up of representatives of all four powers was to be set up to oversee the exchange of currency at a 1:1 ratio.<sup>18</sup>

This was virtually the only time when the resolution of the Berlin crisis seemed imminent. The directive was doomed from the start, however. In the first place, Stalin's verbal promise to lift all of the restrictions, which presupposed linkage with the renunciation of the London decisions, did not work. The West did not reciprocate. In the second place, problems were redressed to local authorities instead of being solved. Finally, we must remember that a full consensus was not reached at the talks. It was impossible to draft a joint communique because there were differences of opinion regarding the London conference decisions on the future of West Germany. This is why the leaders of the four countries chose the directive form, entrusting the matter completely to the four commanders in chief of the occupation forces in Germany.

### Escalation of the Conflict

Pronounced differences of opinion came to the surface again at meetings of the commanders in chief and their staffs in Berlin. Marshal Sokolovskiy made an attempt, for example, to restrict the air access that was not mentioned in the document. Besides this, he asked the three powers to renounce the London conference decisions in exchange for the removal of the restrictions imposed before 18 June.<sup>19</sup> The West felt that the marshal was going against the promise Stalin had made on 23 August. The week of talks in Berlin caused the settlement process to regress and cancelled out the understanding the sides had reached in the directive. A joint communique was out of the question.

On 14 September the English, French, and U.S. ambassadors delivered a memorandum to Molotov that was also addressed to Stalin. The document suggested a more precise wording: "the removal of traffic restrictions instituted after 30 March 1948."<sup>20</sup> Stalin was not in Moscow when the note was delivered. It was the second time the Western representatives had failed to establish personal contact with him, although there was an urgent need for this.

On 18 September Molotov delivered a response to the Western representatives. The Soviet leadership based this response on the wording of the directive of 30 August instead of the verbal agreements with Stalin. Furthermore, Sokolovskiy's attempt to limit air access as



well was supported.<sup>21</sup> This abrupt departure from fundamentally agreed positions evoked a negative reaction from the West. All of the Western initiatives, which had been aimed at seeking a solution to the problem from the very first days of the crisis, had run up against the insurmountable wall of the nascent superpower's ambitions.

This was followed by an exchange of notes. The main differences of opinion were rooted in the inadmissibility of the new Soviet approach to air access, traffic, trade, and money. The situation was also complicated to the USSR's unilateral publication of its account of the talks in violation of an agreement by the four powers. In connection with this, the State Department published a communique signed by foreign ministers R. Schuman, E. Bevin, and G. Marshall in Paris on 26 September. The document said that the USSR had violated international agreements and was endangering the lives of the Berliners.<sup>22</sup>

Marshal Sokolovskiy issued a statement in Berlin on 2 October. In answer to the questions of German newspaper correspondents, he related the "real" reasons for the Berlin crisis. According to his account, which was the only officially recognized account in the USSR for many years, everything began on 18 June, not on 30 March, and it started with the currency reform in the Western zones, and not with the blocking of traffic arteries by the Soviet authorities. By the same token, the West was declared the main culprit. Furthermore, "there was and is no 'blockade,'" Sokolovskiy declared. "If there had been a blockade, the population of Berlin would have had no way of getting food."<sup>23</sup> This was actually a threat to close down the highway bridge and force Berlin to starve.

#### Attempts To Settle the Crisis with UN Assistance

Stalin's negotiating tactics forced Western governments to recall their representatives from Moscow and declare the agreement of the four powers—the directive of 30 August 1948—invalid. The problem of settling the crisis was turned over to the UN Security Council. In answer to the questions of a PRAVDA correspondent, Stalin declared: "The policy of the present leaders of the United States and England is a policy of aggression, a policy of warmongering.... The greatest fear of the warmongers is...cooperation and agreements with the USSR."<sup>24</sup> There was a powerful surge of anti-American and anti-Western propaganda in Moscow in response to the U.S. appeal to the Security Council.

Unfortunately, the mediating efforts of the UN Security Council did not produce positive results. A draft resolution approved by Vyshinskiy during unofficial talks on 24 October was rejected by the United States, Great Britain, and France because it was based on the directive of 30 August 1948. The report of a technical UN committee, set up expressly for the purpose of investigating currency and trade issues in Berlin, to the chairman of the Security Council was published on 11

February. It said that any further work by the committee would be counterproductive because of the significant differences in the positions of the sides.<sup>25</sup>

In January 1949 the United States made several attempts to organize a Soviet-American summit meeting, and at the end of the month Stalin announced his consent, and also remarked that the USSR would agree to raise the siege of Berlin if the West would postpone the creation of the West German state until a session of the Council of Ministers of Foreign Affairs (CMFA) could be convened.<sup>26</sup> The announcement said nothing about currency reform, and the State Department wanted to know if this was an oversight. The inquiry was sent to Soviet Representative to the United Nations Ya. Malik on 15 February by U.S. Ambassador P. Jessup. It was not until a month later, on 15 March, that the reply arrived: It was not an oversight. Stalin no longer insisted on a single monetary unit for Berlin.<sup>27</sup>

This breathed new life into the talks.

#### End of the Deadlock?

What made Stalin agree to such significant concessions? The fact is that the destructive effects of Soviet methods of economic management in Germany had been more and more apparent since the beginning of 1949. Whereas the Soviet zone was still lying in ruins, West Germany was being revitalized. Furthermore, by setting up a counterblockade, the Western powers had deprived East Germany and East Berlin of important economic ties. By Soviet tradition, the plan for the economic development of East Germany had placed the emphasis on heavy industry and, besides this, had presupposed Western shipments of coal and steel, particularly from the Ruhr region. The counterblockade paralyzed the East German economy to a considerable extent, resulting in the partial closure of many enterprises in the Soviet zone of Berlin, and even complete closure in some cases. In turn, unemployment intensified social friction. Inhabitants of East Berlin fled to the western part of the city with increasing frequency. A definite role was also played by the success of the American airlift, supplying the city with food and vital necessities. Furthermore, the blockade was undermining the international prestige of the Soviet Union. The prospect of a German state with Western affiliations also forced the USSR to seek ways of creating a balance of power in Europe.

In January Soviet officials tried to get permission to open up trade between East and West Germany. Permission was denied on the grounds that the Soviet blockade had not been lifted.<sup>28</sup> The Soviet plan had rebounded. The Stalinist leadership had made a grave error: The blockade turned into a defeat for its organizers. Many governments, the world public, and even the communist parties in some countries tried to censure the USSR's actions in Berlin. In January 1949 the Kremlin lost the support of even the German communists. Walter Ulbricht said from the rostrum of the party congress that



Berlin should not be part of the Soviet occupation zone (the German communists had previously asserted the opposite).<sup>29</sup>

In March 1949 the Soviet Union expressed interest in trade between the zones. The restoration of trade could have been a convenient opportunity for the USSR to lift the blockade without losing the respect of the world public. In April the Soviet occupation authorities even compiled railroad schedules including traffic from the West.<sup>30</sup> The USSR made a simultaneous effort to promote the unification of Germany and the withdrawal of the occupation troops from the country, but the moment had been lost. The situation had changed in the West's favor, and it did not want to lose its advantages, especially now that all of the talk about preparations for war and about the Anglo-American warmongers had created the impression that a military conflict was possible. U.S. NEWS AND WORLD REPORT commented: "Today Russia's military strength is the greatest in the world. Its armies can march through Europe or Asia without meeting anyone but poorly armed and poorly organized troops."<sup>31</sup>

As Truman later remarked in his memoirs, "the barbarous policy of the Soviet authorities in Berlin" accelerated the creation of NATO.<sup>32</sup> The North Atlantic alliance was established on 4 April 1949 and was joined even by states which had not been involved in the conflict with the USSR: Canada, Denmark, Iceland, Italy, Norway, Portugal, and the Benelux countries. This was an extremely serious error on the part of Stalin, Molotov, and the entire Soviet leadership: The military threat posed by the "first socialist state in the world" was counterbalanced by NATO.

### The Blockade Is Lifted

Feeling that it had been "dealt out of the game," the USSR agreed to the necessary concessions so that a CMFA session could be convened. In Stalin's response to the U.S. ambassador, delivered by Soviet Representative to the United Nations Malik on 15 March 1949, he promised to lift the Berlin blockade. The Soviet authorities turned the power back on in West Berlin and returned 4,000 railway cars that had been detained in the Soviet zone as a gesture of goodwill. On 29 March Marshal Sokolovskiy's appointment as USSR first deputy minister of defense was announced, and his place was taken by General V.I. Chuykov. This fact is interesting in itself. It suggests that Moscow's interpretation of the Berlin events was approximately the following: The USSR had done everything within its power and had not been intimidated even by the atomic bomb.

The scheduled lifting of the blockade and counter-blockade on 12 May was officially announced in Moscow, London, Washington, and Paris on 5 May 1949.

A session of the CMFA was held in Paris in May and June 1949. The issue of reparations and the administration of Austria were discussed at the session. Apparently,

few people thought at that time that the reparations might lay the foundation for future conflicts over the German question. Vyshinskiy proposed that the principle of unanimity be observed in decisions on matters connected with Berlin, which would have given Moscow veto power, and also suggested the use of the East German mark in all of Berlin. This was the second time that the Soviet side's clarifications had caused the regression of the negotiating process. The dialogue of the deaf was resumed. Even the numerous closed sessions on Berlin and Austria in June 1949 did not eliminate the differences of opinion. Once again, the Soviet leaders had not considered all of the subtle implications of the situation: first, that sooner or later the lifting of the blockade would be unavoidable; second, that the East German economy was dependent on the West; third, that self-isolation would hurt the USSR first. Finally, the Stalin leadership took too long to realize that the goal of recovering control of Austria was unrealistic. The main thing, however, was that the fulfillment of the preliminary condition (the lifting of the Berlin blockade by the USSR) gave the West what it wanted: control of West Berlin. Today it seems obvious that the possibility of recovering the Soviet Union's lost positions had been excluded even before the start of the talks in Paris.

The German question lay dormant for many years, causing the periodic flare-up of a succession of Berlin crises. The main reason for this was probably the excessively high self-esteem of both sides. The Americans felt that they were the victors because they had defended Berlin, and the Soviet side thought it had won because it had not gone against its principles or been intimidated by the atom bomb. In fact, the Soviet Union lost international trust by escalating tension and starting the cold war. Stalin's German policy and diplomacy failed, and the plans to retain control over all of Germany and Berlin were destroyed. The Soviet behavior accelerated the creation of NATO, hurt the international workers movement, and isolated the USSR from the rest of the world. The United States and its allies won. In contrast to Stalin's policy, European strategy and U.S. tactics were extremely effective, primarily because of the USSR's grave foreign policy errors. As a result of the Berlin crisis, the United States acquired an even stronger position in international affairs and gained a new ally in West Germany.

### Footnotes

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31. *U.S. NEWS AND WORLD REPORT*, 2 April 1948, p 2.

32. H. Truman, "The Years of Trial and Hope," New York, 1956, p 130.

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### On the Nuclear Verge

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[Review by V.F. Davydov of books "Nuclear Ambitions. A Carnegie Endowment Book" by Leonard Spector with Jacqueline Smith, Westview Press, Boulder-San Francisco-Oxford, 1990, xi + 450 pages, and "International Nuclear Trade and Nonproliferation," edited by William C. Potter, Lexington Books, Lexington (Mass.), 1990, x + 431 pages]

[Text] The books reviewed in this article discuss the prevention of the appearance of new nuclear states in the international arena. The first was written by L. Spector, director of the Nuclear Nonproliferation Project, organized by the Carnegie Endowment for International Peace, and by Jacqueline Smith, deputy director of the project. The second book, an anthology, was edited by W. Potter, director of the Center for Russian and Soviet Studies of the Monterey International Research Institute in California. The books are united not only by their similar subject matter, but also by their focus on foreign policy recommendations.

The proliferation of nuclear weapons is one of the most serious threats to international security. Although the number of de jure nuclear powers has remained the same, covert nuclear proliferation exists. "Israel, India, Pakistan, and South Africa have become nuclear states de facto—i.e., states which have nuclear weapons or can develop them quickly in the event of a crisis." the authors of "Nuclear Ambitions" stress (p 5).

According to the authors, Israel has been most successful in nuclear preparations. Its arsenal consists of 60-100 nuclear weapons of 40-50 kilotons. Each year the number increases by 5-10. Israel is actively working on the development of a hydrogen bomb. Most of the Arab countries opposing Israel acknowledge the existence of Tel Aviv's nuclear potential and are stockpiling chemical weapons as a counterbalance to this potential and opposing international measures to prohibit them.

India does not appear to have deployed nuclear weapons as part of its armed forces at the beginning of the 1990s, but Delhi does have substantial quantities of nuclear materials in reserve and could take this step quickly in the event of crisis. It already has enough weapon-grade plutonium for 40-60 nuclear devices. India is also working on a hydrogen bomb. "There is every reason to believe that India will become a recognized nuclear power in the 1990s" (p 81).

Pakistan, the book says, has enough fissionable material for 5-10 atomic bombs. Its dependence on the United States for shipments of modern weapons, and the fear that they will cease if Islamabad should begin developing nuclear weapons openly, have forced it to carry out its atomic program with consideration for Washington's reactions and to slow down the work on the program to some extent. It is obvious, however, that Pakistan's long-range plan to gain nuclear potential has not changed. If military altercations should break down between Pakistan and India over Kashmir, this "will be a conflict between countries with nuclear weapons at their disposal, and this could have a serious negative effect on regional and global security," the book says (p 111).

The development of the peaceful regulation of South Africa's relations with neighboring countries and the efforts to surmount racial discrimination have weakened Pretoria's motives to develop nuclear weapons. The South African Government has repeatedly said that Pretoria is willing to become party to the Treaty on the Non-Proliferation of Nuclear Weapons and to allow international inspections of its nuclear installations. This "would not only diminish the threat of nuclear conflict in one part of the world, but would also show that the decision to acquire nuclear potential can be rescinded under the right combination of regional and global influences" (p 285). (Recent events proved that this forecast was accurate: South Africa recently announced its affiliation with the treaty.)

According to Spector and Smith, Argentina and Brazil, which declined to sign the treaty, have made significant advances in their own nuclear programs. These states have mastered the processes of concentrating uranium to the level needed for the production of atomic bombs. Furthermore, Argentina and Brazil have become suppliers of nuclear technology and materials to Third World countries. It is true that the assumption of leadership in both states by civilians has had a deterring effect, but military groups are still promoting nuclear projects. The level of nuclear project development in Argentina and Brazil is so high, according to the authors, that these states could produce atomic bombs quickly if the appropriate political decisions were to be made in these countries. The political pledges of Argentina and Brazil not to produce nuclear weapons might be a guarantee against this. (In July 1991 both states declared their refusal to produce nuclear weapons or to have them within their territory.)

Nuclear ambitions have been displayed not only by states not party to the Nonproliferation Treaty, but also by several signatories of this international treaty. They include Iraq, Iran, Libya, and North and South Korea. In the opinion of L. Spector and J. Smith, most of these countries have evinced "deep-seated feelings of hostility for the United States, which reduce Washington's chances of influencing the policies of these states" (p 8).

Iraq had a program for the production of fissionable materials and acquired components for nuclear weapons on the "black market" in Western countries.

There are obvious signs that Iran also wants to develop an atomic bomb. It has been more active in world markets for nuclear materials and technology and has spoken frankly about the correlation of nuclear weapons to the interests of the Muslim world (p 216).

Libya has also been trying to acquire an atomic bomb for a long time, but its nuclear program is still in its initial stages. The effective embargo on exports of nuclear technology and materials to Libya has made this prospect more remote. Under these conditions, Libya is trying to acquire the necessary technology from new exporters—Brazil and Argentina (p 182).

According to the authors, although North Korea signed the Treaty on the Non-Proliferation of Nuclear Weapons in 1985, it still has not placed its nuclear installations under international control, and the most disturbing of these is a plutonium plant. After it begins operating, Pyongyang will be able to produce one or two nuclear devices each year. Within 5 or 10 years, North Korea could be in a position to call itself a nuclear state. In this situation, South Korea would probably take reciprocal steps, and this would essentially lead to a nuclear arms race on the Korean peninsula.

It is unlikely that Japan will remain indifferent to these events: It will have to reconsider its approach to nuclear weapons. In view of Japan's achievements in the peaceful use of atomic energy, it will not need much time to produce an atomic bomb. The decision to do this could change the entire course of world history, the authors remark (p 132).

Missiles now represent a new dimension of the problem of nuclear proliferation. Whereas the development of missile delivery vehicles for nuclear weapons was once considered to be a costly and time-consuming process, today the job has been simplified considerably, and largely by the careless shipment of missile technology and equipment to Third World countries by the United States, the USSR, and the European states (during the years of cold war). Spector and Smith estimate that there were 16 developing countries in the "missile club" by the beginning of the 1990s (pp 20-22).

The installation of nuclear warheads on missiles is a matter of special concern. Israel is assumed to have already done this. India is in a position to produce them, and Pakistan is right behind it in the race. The authors

believe that Argentina, Brazil, Iran, and North Korea might also have missiles with nuclear warheads by the end of the 1990s (p 22).

Spector and Smith take a skeptical view of the opinion of some Western experts that the possession of nuclear missiles by conflicting countries will be a deterrent or will even promote stability in crisis zones. They warn that "the use of missiles and chemical weapons in the Iran-Iraq war clearly testifies that both of the states using them were striving for advantages on the battlefield, and were not pursuing a policy of intimidation to stop the use of these weapons" (p 23).

The nuclear missiles of Third World countries could also be aimed at the territory of nuclear states. In particular, Israeli missiles could reach the southern part of the USSR, and Indian missiles could be aimed at important strategic targets in China (p 23).

Until recently, American officials believed that the "near-nuclear" countries could not constitute a direct threat to their continental territory, their allies, or American armed forces abroad even if the United States were to become involved in a conflict with one of them. It was precisely for this reason that the United States lessened its diplomatic pressure on these states in matters of nonproliferation. "The idea of relatively harmless proliferation, however, has never been realistic and is now undergoing dramatic changes. We can only wait and see how Washington responds to this new challenge" (p 9).

The radical improvement of political relations between the United States and the USSR has revealed broad opportunities for joint or parallel action to reinforce the nuclear nonproliferation framework. By the same token, "the declining influence of the superpowers in world affairs could reduce the effectiveness of their efforts and even stimulate the emergence of new nuclear powers in response to the appearance of a military-political vacuum" (p 13). According to Spector and Smith, the prospects for this kind of interaction do not look promising in view of the traditional ally relations of the superpowers with these states.

In South Asia, in spite of the withdrawal of Soviet troops from Afghanistan, the United States is still giving military and political support to Pakistan, through which the forces opposing the Kabul regime get most of their aid, while this regime, in turn, is still getting military aid from the USSR. All of this is keeping the United States from pursuing a tougher policy with regard to Islamabad's nuclear preparations.

At the same time, instead of exerting pressure on India to slow down the work on its nuclear program, the USSR has provided Delhi with a nuclear submarine and two nuclear reactors. "The Moscow agreement on the sale of two nuclear reactors to India marked the de facto end of an 8-year embargo by the main suppliers of nuclear technology and materials on nuclear transactions with countries which, like India, had refused to put all of their activities in the nuclear sphere under the international

control of the IAEA. As a result, Moscow implied that it would not be likely to support any drastic measures against India's nuclear preparations," the authors remark (p 16).

In the same manner, the United States and USSR did not take joint action (before the crisis in the Persian Gulf—V.D.) to deter Iraq's obvious attempts to acquire nuclear weapons. Signs of interaction by these two countries were only apparent in their approach to North Korea's nuclear ambitions, when they insisted that atomic installations in that country be placed under international control within the IAEA framework (p 16).

The authors underscore the particular danger, from the standpoint of nuclear proliferation, that nuclear weapons might be taken by force by opposing military and political groups in the nuclear states. They say that this threat existed in the past in France and the PRC and exists now in the USSR. "There is the risk that militant separatist forces in the Soviet Union might try to gain control over nuclear weapons for the purpose of using them as a trump card in their efforts to achieve political independence" (p 18).

According to the authors, the progressive disintegration of the military-political blocs headed by the United States and the USSR and the emergence of a whole group of countries striving for regional dominion in the world arena necessitate closer Soviet-American cooperation for the neutralization of nuclear ambitions. The reinforcement of the nuclear nonproliferation framework, in their opinion, should take several forms, particularly the stronger enforcement of the Treaty on the Non-Proliferation of Nuclear Weapons. In connection with this, they direct attention to the fact that, although the number of signatories has risen to 140, there are conflicts between the nuclear states and their allies on one side and the nonaligned and neutral non-nuclear states on the other. The latter have repeatedly underscored the failure of nuclear states to honor their disarmament commitments (Article VI of the Nonproliferation Treaty), because they are still conducting nuclear tests. Furthermore, most of the non-nuclear states have recently insisted that the nuclear states stop not only these tests, but also the production of fissionable materials for military purposes, and that they provide guarantees against the use of these weapons against countries not possessing these weapons (p 295). The future of the existing framework of nuclear nonproliferation will depend largely on the ability of nuclear and non-nuclear states to reach agreements on these matters.

It is precisely this, and the organization of cooperation between traditional and new suppliers of nuclear materials and technology to the world market, that are the main areas of concern in the book edited by W. Potter. In his opinion, neutralizing possible abuses of the peaceful atom will necessitate global monitoring of all nuclear transactions and the elaboration and adoption of a universal set of principles, including the fundamental demand that all of the nuclear activity of states be placed

under IAEA control, and not just the materials and technology imported from other countries.

The almost simultaneous publication of two books dealing with this subject matter attests to the great importance U.S. research centers assign to the nonproliferation of nuclear weapons in the world. Unfortunately, this cannot be said of research institutes in the Soviet Union. Articles on these issues, not to mention books, are extremely rare, although the USSR should be just as interested as the United States, if not more so, in nonproliferation, because the majority of candidates for membership in the "nuclear club" are located in direct proximity to its southern borders. This state of affairs cannot be condoned.

In this context, we applaud Potter's suggestion of a project to "create a community of experts on nuclear nonproliferation in the Soviet Union." The goal would be the training of young Soviet experts on nonproliferation and the more thorough investigation of the problem. The project would include the provision of these experts with American computer data bases and the organization of Soviet-American seminars, special courses, and research programs. Potter feels that this project could be financed by well-known American foundations, including the Rockefeller, Jones, and Carnegie foundations.

The idea of creating an association of experts on nuclear nonproliferation in the USSR is not new in itself; it has been proposed several times by officials of the USSR Ministry of Foreign Affairs and scientists from the Institute of U.S. and Canadian Studies and Institute of World Economy and International Relations of the USSR Academy of Sciences. All of them have underscored the importance of this problem to the security of the USSR and have cited the experience of similar associations in the United States and the West European countries, but bureaucratic obstacles have prevented the implementation of this idea. As a result, there is an apparent insufficient awareness of the importance of the nonproliferation of weapons of mass destruction among Soviet scientists and public spokesmen. International security and the security of the Soviet Union itself in the 21st century, however, will depend to a considerable extent on the resolution of these problems. There is no question that cooperation by Soviet and American scientists could do much to promote constructive interaction by the United States and the USSR in genuine efforts to deter the nuclear ambitions of threshold states.

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#### Chronicle of Soviet-American Relations (June 1991)

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[Text] June

1—Member of the USSR Security Council Ye.M. Primakov and First Deputy Prime Minister V.I.

Shcherbakov concluded their visit to the United States, during which they had meetings with President G. Bush and his top advisers. All aspects of Soviet-American relations were discussed during the conversations in the White House.

1-2—The USSR minister of foreign affairs visited Lisbon, where A.A. Bessmertnykh conducted talks with U.S. Secretary of State J. Baker. A major achievement of the meeting was the virtual elimination of disagreements over the treaty on conventional armed forces in Europe.

2—George Bush announced his decision to suspend the Jackson-Vanik amendment in trade with the Soviet Union for another 6 months.

4—The new U.S. ambassador to the USSR, Robert Strauss, was presented to journalists in the White House. He will take office this fall, after the nomination has been approved by Congress.

5—TASS published a joint statement on Soviet-American interaction in Africa, which says in part: "The USSR and United States are willing to take steps in conjunction with the international community, and especially with the African countries and the Organization of African Unity, to settle armed conflicts by political means."

7—A.A. Bessmertnykh and J. Baker met in Geneva. The preparations for signing the treaty on the reduction of strategic offensive arms were the main item on the agenda.

13—G. Bush informed M.S. Gorbachev that the United States would extend federally guaranteed credit to the USSR for the purchase of American agricultural products worth 1.5 billion dollars.

17—Alaska Airlines instituted direct flights between Anchorage and the Soviet Far East (Khabarovsk and Magadan).

18-20—B.N. Yeltsin, president-elect of the RSFSR, went to the United States on a working visit. The main purpose of his meetings and conversations was a thorough discussion of ways of establishing mutually beneficial cooperation, so that specific agreements could be concluded in this area in the future. Yeltsin also met congressional leaders and was received by President Bush.

21—The presidents of the USSR and United States had another telephone conversation. They discussed the upcoming meeting of the "Big Seven" in London.

28—First Deputy Minister of Foreign Affairs of the USSR Yu.A. Kvitsinskiy received U.S. Ambassador J. Matlock at his request. During the conversation the ambassador expressed concern about the state of affairs in the Baltic republics of the USSR.

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**Articles Not Translated**

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### Rogov Views Post-START Prospects

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[Article by Sergey Mikhaylovich Rogov, doctor of historical sciences and head of a department of the USSR Academy of Sciences United States and Canada Institute: "The START Treaty: Start or Finish?"]

[Text] The Soviet-American summit held in the summer will, evidently, determine to a large extent the nature of relations between the two countries for many years to come. The context of the meeting and the Treaty on a Reduction and Limitation of Strategic Offensive Arms signed in the course of it are considerably broader than the traditional arms control agenda.

The treaty recorded a new quality of relations between the nuclear superpowers in the most important sphere of security—strategic offensive arms.

As distinct from the first, interim, agreement limiting strategic offensive arms signed in 1972, which established "ceilings" on the further growth of nuclear arsenals, the present treaty provides for a very appreciable reduction in the strategic arms which already exist. Not of 50 percent, it is true, but of roughly 30-35 percent. This is not enough, of course, for speaking of impending nuclear disarmament.

It is not merely a question of the psychological legacy of the "cold war" here, I believe. The main reason is the preservation of the immense military potential—the material basis of the arms race, which was created both in the USSR and in the United States in the "cold war" years. What will happen if intentions change and the military-industrial potential begins to operate once again at full power? This question is being asked both in the West and in our country.

The fact that the START Treaty provides for an unprecedented system of monitoring and inspection, which will undoubtedly contribute to a strengthening of strategic stability, is very important. Of course, the implementation of these measures, as also the destruction of the missiles to be removed from operational status, will cost a fair amount. But it should not be forgotten that continuation of an unchecked strategic arms race would cost far more. After all, whereas the parties currently have 11,000-12,000 strategic nuclear warheads apiece, without the treaty their numbers could by the end of the present decade have grown to 17,000-19,000. Not to mention the fact that, given this alternative, there would by no means have been a diminution in the threat of nuclear war.

What does the new START Treaty provide for specifically? As Table 1 testifies, the Soviet Union and the United States are to make unprecedented reductions in their strategic arsenals.

**Table 1. Reduction in the Strategic Forces of the USSR and United States According to the START Treaty Counting Rules**

USSR		
Source data		Reductions
ICBM's	1,398	400 (30 percent)
SLBM's	940	500 (50 percent)
HB's	162	—
Total	2,500	900 (36 percent)
Warheads	10,271	4,271 (42 percent)
United States		
Source data		Reductions
ICBM's	1,000	250 (25 percent)
SLBM's	648	200 (30 percent)
HB's	574	200 (35 percent)
Total	2,222	622 (28 percent)
Warheads	10,371	4,371 (42 percent)

IZVESTIYA, 1 August 1991.

First, the number of strategic nuclear weapon delivery systems will diminish from 2,200-2,500 to 1,600.

Second, an overall total "ceiling" for the nuclear warheads under consideration is fixed at a level of 6,000, including 4,900 on ballistic missiles. Supplementary limitations are established for warheads on so-called heavy missiles and ground-based mobile missiles.

Third, the parties came to a separate agreement on limiting the number of sea-launched cruise missiles at the level of 880.

But it has to be mentioned that the particular rules of counting arms on heavy bombers makes it possible to considerably exceed the 6,000 overall ceiling for nuclear weapons. After all, a bomber which can carry 12-20 air-launched cruise missiles is counted as 10 warheads, and a bomber carrying free-fall bombs and short-range ballistic missiles, as only one warhead. For this reason the actual number of warheads could constitute 7,000-7,500 for us and 8,000-9,000 for the United States.

The Americans sought the acceptance of this "dual accounting" back at the Reykjavik summit five years ago. They are superior to us in the number of heavy bombers and have a more advantageous geostrategic location for their use. We would hardly have reached agreement without this.

But it would be a mistake to believe that concessions were made only by us.

It is well known that almost simultaneously with the commencement of the START talks President Reagan proclaimed the "Strategic Defense Initiative" (SDI). Essentially the United States demanded that we consent to abandon the ABM Treaty. But this did not happen, and it remained in force. Were the United States to

violate the ABM Treaty, we could, naturally, reconsider our attitude toward the START Treaty commitments. It is not a question of a formal "linkage" here but of the essence of the matter: the treaty contains a provision concerning "highest national interests"; if they are affected, the USSR could abandon the reductions. I believe that the United States understands this full well. And although the Senate Armed Services Committee recently supported a plan to deploy 100 missile interceptors, it is envisaged doing so within the framework of the ABM Treaty. We also, for example, have already deployed around Moscow an ABM system of such a type—strictly within the framework of that same ABM Treaty. So it is highly doubtful that the United States would unilaterally undermine it.

The "star wars" program has today been reduced to quite a modest level.

The SDI budget has in fact been frozen at the level of approximately \$3.5 billion. And this level of financing will make it possible merely to perform research and development and is manifestly insufficient for the deployment of massive ABM defenses. In addition, under the conditions of the sharp increase in the federal budget deficit and the reduction in military spending the SDI budget could only be increased by way of an even bigger cut in other strategic and conventional arms programs, and this would evoke a sharp rejection on the part of the U.S. armed services.

At the start of the negotiations the Americans wanted to confine them merely to ballistic missiles and to exclude from the overall balance heavy bombers. But they had to agree to limitations on the bombers also, albeit in accordance with preferential counting rules.

The United States endeavored to ban completely heavy missiles, of which we currently have 308, while the Americans have none at all—nor will they have. But the START Treaty leaves the USSR with 154 such ICBM's (in the United States they are called SS-18's, with us, RS-20's), each of which is fitted with 10 warheads (and they could potentially carry considerably larger warheads).

The Americans also proposed banning entirely ground-based mobile missiles. But the START Treaty contains no such ban. In addition, it allows 1,100 warheads on mobile missiles. The USSR has two types of such missiles—ground-mobile and rail-mobile—and the United States does not have such missiles as yet.

The Americans wanted to avoid any restrictions on sea-launched cruise missiles. After all, the United States is superior to us at sea and could with long-range cruise missiles on ships threaten our territory. But the START Treaty limits the numbers of sea-launched cruise missiles to a level of 880. They constitute less than 15 percent of the strategic arsenals, which will not upset the strategic balance.

The United States has had, accordingly, to make changes to its military programs. In the 1991 fiscal year alone defense spending has been reduced 11 percent in fixed prices. There has been a particularly appreciable cut in the purchasing budget. American military industry, just like ours also, is today experiencing a serious crisis. Almost all strategic modernization programs have been cut appreciably compared with the Reagan administration's plans, and a whole number of conventional arms programs have been canceled.

The Bush administration has had to considerably limit its plans to deploy a new generation of the strategic triad—the MX ICBM's (from 200 to 50) and the Midetman (a decision on its deployment has been postponed until 1997), D-5 SLBM's (from 600 to 346) and B-2 bombers (from 132 to 75). In addition, there has been a reduction in the Pentagon's order for the purchase of new AQM-class cruise missiles (from 1,461 to 1,000) and SRAM-2 ballistic missiles (from 1,633 to 700). And this means that the United States' opportunities for exceeding the ceiling of 6,000 nuclear warheads fixed by the new treaty will be halved. After all, the Reagan administration formerly agreed to this level only on condition that a bomber armed with short-range ballistic missiles and free-fall bombs would be equated with one warhead of a ballistic missile or air-launched long-range cruise missile. The Pentagon hoped to have 3,000-4,500 nuclear warheads which would not be part of the reckoning of the 6,000 warhead "ceiling" (then instead of the 50 percent reduction, the treaty would have reduced the American nuclear arsenal no more than 25-30 percent). Now, however, the United States could deploy on its bombers over and above the established quota only 1,000-2,000 nuclear warheads. And if, what is more, Congress confines the B-2 bomber program to 15-30, these weapons will be fitted on B-52 aircraft built in the 1950's-1960's.

All this means that the foreign policy of perestroika, which it has become customary in certain circles with us to declare a "betrayal of the USSR's security interests" virtually, has borne real fruit—a lessening of the external danger to our country. Both unilateral steps and our consent to bilateral and multilateral reductions played a part. And even the needless delay over the Conventional Armed Forces in Europe Treaty, which played into the hands of the forces of the right in the West, could not alter the new strategic situation which had taken shape in the nuclear arms sphere.

Naturally, we also had to make concessions, in respect of each of the enumerated points included:

we were unable to get the United States to abandon the SDI program;

we were unable to eliminate the dual accounting in respect of heavy bombers;

we will reduce by 50 percent our heavy missiles and accept restrictions on the manufacture and deployment of mobile missiles;



we were unable to achieve a complete ban on sea-launched cruise missiles;

we made an exception in respect of the range of the American Tacit Rainbow missile with a conventional warhead.

But it would be simply dishonest to see only our concessions and not see the concessions in return. A reasonable compromise was achieved. Calculations show that, following the planned reductions, the USSR will retain the possibility of the multiple infliction on an aggressor of unacceptable damage in a retaliatory strike, given any version of his nuclear attack.

It should be borne mind also that bomber aviation can hardly be seen as the medium for delivering a first disarming strike in a nuclear war. For this reason the treaty—thanks to appreciable reductions in ballistic missiles—successfully accomplishes the task of a reduction in the possibilities of nuclear attack, which, obviously, is far more important than the absolute levels of the proposed reductions. The USSR reserves the full right here, should it so desire, to have absolute arithmetical equality with the United States in all indicators of the nuclear balance. Whether this is expedient and necessary and whether this would strengthen the actual security of the Soviet Union is another matter.

It is hard to expect that we could with just one treaty have removed all mutual concerns connected with most intricate questions of the nuclear balance. Many of the problems have built up over decades. It is important that the START Treaty enshrines new trends in the Soviet-American dialogue on problems of the limitation and reduction of nuclear arms, which will make it possible in the future to tackle tasks of a strengthening of strategic stability and international security increasingly efficiently.

The meeting between M.S. Gorbachev and G. Bush will make it possible to go beyond the treaty, having embarked on a discussion of specific details of the mechanism of the mutual security of the USSR and the United States. In my view, this partnership should incorporate a system of joint bodies for the permanent concordance of the diplomatic, military, and economic positions of the two states on all questions affecting their interests. In the disarmament sphere the reductions or limitations of existing arms should be supplemented by the cultivation of mutual understanding concerning the kind of arms that may or may not be deployed in the future. That is, the main emphasis would gradually be transferred to the concordance of the long-term plans of military organizational development. This process should encompass all types of strategic offensive and defensive systems here.

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Ideological opposition led to the militarization of the political and economic relations of the USSR and the United States. Military strength became the yardstick of

the might of the superpowers in their global confrontation. And despite the economic boycott, the administrative-command system coped pretty well, what is more, with the organization of the arms race. We were able to create parity in both the nuclear sphere and in conventional arms—not only with the United States but also with West Europe, China, and Japan, that is, with all the other centers of power in the world arena.

But the price of parity proved too much for us. After all, we have lived for at least two generations under the conditions of a wartime economy (in 1991 the proportion of military spending in the union budget—36 percent—is almost the same as in 1941). The Soviet military-industrial complex has manufactured as much in the way of arms (missiles, tanks, guns, combat aircraft) as has been made throughout the rest of the world. Only in naval arms have we lagged behind somewhat, although we have created the second navy in the world after the United States.

The result is well known—our society was unable to endure this strain any longer. The constant decline in the living standard, the incapacity for satisfying people's minimum requirements, and the progressive lag in the technology sphere have brought our economy to the brink of catastrophe. Today we remain a superpower only in terms of the giant arsenals of nuclear, chemical, and conventional weapons. But this superfluous military power by no means lends us authority in international affairs. It is clear that we are incapable in isolation of maintaining military equilibrium with all the most important participants in international relations. We need to seek partnership with the key centers of power, which will enable the USSR to preserve an important role in world politics.

A considerable price has been paid for the arms race by the United States also, although it spends on defense not 25 percent, as we do, but approximately 10 percent, and now, five percent, of GNP. Militarized priorities in the economy have led to the Americans having forfeited many leading positions on the world market, the more so in that they have from purely ideological considerations ("containing communism") with their own hands helped get back on their feet vanquished competitors—Germany (which spends on defense three percent of GNP) and Japan (only one percent).

The "cold war" is a thing of the past. Consequently, the real interests of the two superpowers are moving to the forefront in relations between the USSR and the United States in place of outdated ideological dogma. It is their interaction which should determine the new model of Soviet-American relations. And economic interests connected with the requirements of both the domestic and international markets were and remain in first place among state interests.

It is not difficult to observe that our economic interests and the Americans' have virtually no contact with one

another. The United States competes with Japan, Germany, and the other European countries and the "four tigers" in the Far East. It is here that the main masses of contradictions of the world economy are bound up. We, on the other hand (with minimal exceptions) are not rivals of the Americans either for sales markets or for sources of raw materials. Even in the event of the successful accomplishment of economic reform, our country would not be playing an active part on the world market before the next century.

As far as the mechanism of the economic boycott of the USSR created in the years of the "cold war" is concerned, both Cocom [Coordinating Committee for Multilateral Export Controls] and the Jackson-Vanik Amendment, as also the Soviet Union's absence from the World Bank and the International Monetary Fund, were a consequence of the projection of ideology onto economics, not the other way around.

It is obvious that in the foreseeable future the reorganization of our country and the restoration of the economy will be for us of priority significance. In addition, the emergence of the Soviet Union from the state of crisis is largely connected with the surmounting of international isolation and our country's integration in the world economy.

It has been revealed with the end of the ideological confrontation that the degree of divergence of the interests of the USSR and the United States is not that great. At the same time, however, it is clear even now that the Soviet Union's retention of its positions in the international arena in the 1990's will depend to a large extent on its capacity for establishing nonconfrontational interaction with the United States.

The end of the "cold war" also means an end to the bipolar system of international relations. The passing into nonexistence of the "socialist community" is just one side of the coin. The other side is the less dramatic but highly fundamental loss by the United States of the role of sole leader of the West.

True, arguments to the effect that Washington has become the "sole superpower" have appeared recently, particularly since the war in the Persian Gulf. But people forget to say here that the bill for this "expedition" was paid to a considerable extent by the United States' allies—Japan and Germany—and also Saudi Arabia and Kuwait. At the recent meeting of the Seven in London the Americans were, at best, first among equals.

A new, multipolar system of international relations is, truly, taking shape. And there are as yet no guarantees that the multipolar world will be safer than the bipolar world. After all, the most dreadful world wars in the history of mankind arose precisely in a multipolar structure of international relations. The end to the "cold war" between the USSR and the United States does not mean that a relaxation of tension has automatically come about worldwide. Iraq's aggression against Kuwait was

just a precursor of the cataclysms which could occur unless a new system of international security is created.

With the disappearance of the "Soviet threat" the question inevitably arises: What will the U.S. Army in Germany and Japan do, against whom do they need the American "nuclear umbrella"? The process of Soviet-American disengagement will not create a vacuum. The problem is what (or who) will come to replace the bloc confrontation. Can the discrepancy between the giant economic power and second-rate military status of Germany and Japan continue? They not only do not have nuclear weapons but are in conventional arms also many times the inferior of us and the Americans, although are capable literally within several years of overcoming this discrepancy. Will the world become multipolar not only economically and politically but militarily also?

And there are, in addition, China, India, Brazil, and a whole number of other countries prepared to play an active part in international affairs. There is a real danger of the proliferation of nuclear and chemical weapons and ballistic and cruise missiles. Following the signing of the Paris Treaty, the arms manufacturers of the developed countries have been attempting to overcome the sales crisis, expanding exports of the most modern weapons to the "third world," where a number of acute national, religious, and territorial conflicts persist.

Meanwhile only in Europe has the CSCE process laid the first foundations of a new regional security system. In other parts of the world, on the other hand, not only are there no regional security systems but the primary process of negotiations on a lowering of military tension and a limitation of the arms race has not even begun.

Even today the Near East is in terms of the number of tanks, artillery, and combat aircraft comparable with Europe, and the seriousness of the Arab-Israeli conflict exceeds any unresolved European problems. Military confrontation persists on the Korean peninsula. And in a number of other regions also, if events there are allowed to take their course, it is not hard to anticipate a tragic outcome.

The main task of the present period, it would seem, is the organization of a regulated transition from a bipolar to a multipolar structure of international relations for assurance of the peaceful and stable nature of this process. The dilemma is how to encourage the necessary political changes without disrupting military-strategic stability and how to strengthen stability without blocking political change.

In turn, the United States also is beginning to understand the strategic importance of relations with the USSR for building a new world order. The Americans should, it might have seemed, have taken advantage of our internal crisis to dispatch us to the "ashcan of history." Instead, Bush called on Moscow "to map out the prospects of the development of Soviet-American relations built not on military confrontation but economic cooperation and cooperation in the sphere of security".<sup>1</sup>

But powerful military-industrial complexes, excessive armed forces, and traditional notions concerning military-power methods of ensuring security persist. In this respect not only the United States but the USSR also is displaying inconsistency, which is leading to a loss of momentum and complicating the consolidation of positive achievements in the international arena. We should evidently not unilaterally repeat such actions as led to the unwarranted prolongation of ratification of the Treaty on a Reduction in Conventional Arms in Europe. It would be a mistake also to fail to notice the significant reductions in the military budget and armed forces of the United States and the reorientation of the American military machine away from preparation for a global confrontation with the USSR toward "low-intensity" conflicts in the "third world."

A negative influence is exerted also by mistakes in the conversion of defense industry and also the growth of the military budget's share of the Union budget. This is not only preventing us from obtaining economic returns from the arms reduction agreements but also impeding the organization of closer cooperation with the West in the accomplishment of the strategic task of the USSR's integration in the world economy. There is no doubt that without a change in our approach to this problem we will not be able to count on obtaining large-scale economic and technological assistance from the West.

For assurance of the predictability and irreversibility of the dismantling of the mechanism of the military confrontation of the USSR and United States, the process of parallel arms cuts should be supplemented by a process of the parallel reduction in and limitation of military-industrial potential. The United States' interest in a profound conversion of the USSR's defense industry makes it possible to raise the question of technological and economic cooperation for the purpose of guaranteeing a cardinal reorientation of the mobilization potential of Soviet industry to purely peaceful needs precluding the possibility of a rapid increase in military-economic potential. Similar measures should, evidently, be implemented in the United States also.

The old mechanisms of the assurance of security at both the national and interstate levels are today proving ineffective. For this reason the Warsaw Pact has disappeared, and NATO is attempting to urgently find a new meaning for its existence. In addition, even such achievements of arms control negotiations as the INF Treaty, the Treaty on a Reduction in Conventional Armed Forces in Europe, and the just-signed Treaty Limiting and Reducing Strategic Offensive Arms are already out of date. Their purpose was, after all, the achievement of "ideal parity" and a mirror equality of the forces involved in military confrontation. Now, however, when the main reason for this confrontation has been removed, these agreements preserve to a certain extent the former confrontational model.

It is time to give serious thought to the way in which the threat to our security has changed, by what methods

these threats may be countered with the least cost, and the kind of resources that will be needed for this. Without such a strategy of national security it will be very difficult for our country to build its relations with the Americans, and not only with them.

We need to seek partnership with the key power centers.

Continuation of military rivalry under conditions where American military spending this year is comparable with the federal budget deficit and where with us, seemingly, the situation will be even worse is not simply pointless but is becoming the main threat to the vitally important interests of the USSR and the United States. For this reason M.S. Gorbachev is inviting America "to a fundamental transformation of our relations for the sake of general peace, stability, and progress" <sup>2</sup>

From this viewpoint the START Treaty is not the final item but merely the start of the structural reorganization of the system of international relations.

#### Footnotes

1. IZVESTIYA, 30 July 1991
2. PRAVDA, 31 July 1991.

#### Rivalry, Cooperation in Far East Viewed

AU2110083991 Moscow SSHA; EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 9, Sep 91 (signed to press 9 Sep 91) pp 10-18

[Article by Mikhail Grigoryevich Nosov, doctor of historical sciences, senior associate at the USSR Academy of Sciences United States of America and Canada Institute: "Security in the Asian-Pacific Region and Soviet-American Relations"]

[Text] The main goal pursued by Soviet policy in the Asian-Pacific Region [APR] is the establishment of the Soviet Union as a full and equal Pacific state; this must open up prospects for its active participation in the political and economic processes that are under way in the region. Unless this task is resolved, it is impossible to render our policy flexible and fruitful, or to coordinate it with the global character of our interests. If we are well aware of the fact that the APR will become "a center of the world's policy," as President M. Gorbachev has written, we must at least prepare ourselves for this. <sup>1</sup>

#### Interests of Superpowers in the APR

If we try and compare the goals that the USSR and the United States pursue in the APR, it will become clear, in the first place, that the Soviet Union aspires to change its status in the region and that the United States wants to maintain the positions it has gained there. Today, the countries of the Pacific Region account for more than 33 percent of the volume of the American foreign trade, whereas less than 25 percent of American foreign trade is reserved for Western Europe. In 1988, direct American investments in the countries of the region amounted to

more than \$49 billion, or 15 percent of the total volume of direct capital investments. The United States is connected by military commitments with Japan, South Korea, the Philippines, Thailand, Australia, the Marshall Islands, and Micronesia, as well as with New Zealand (military cooperation with the latter has been suspended in connection with its position on the question of American warships entering New Zealand's ports) and Taiwan with regard to which there exist informal obligations. The United States maintains active political relations with all the countries of the region, with the exception of the PRC, Vietnam, and Cambodia.

The status of the USSR in the Pacific Region seems to be much more modest as a result of the lasting contradiction between the fact that, geographically, the country belongs to the region and the vivid Eurocentrism of our policy and economy. Despite the serious efforts to enliven the policy in the APR, efforts that have resulted in the Soviet-Chinese normalization, establishment of diplomatic relations between Moscow and Seoul, three Soviet-South Korean summits, and president Gorbachev's visit to Japan, there still can be no talk of a full implementation of the initiatives proclaimed in Vladivostok and Krasnoyarsk. Moreover, the Soviet political influence in the region continues to be at a low level. To this day, the countries of the APR account for 7 or 8 percent in the USSR's foreign trade, and the greater part of the trade is reserved for socialist countries of Asia. Soviet declarations to the effect that we consider ourselves to be a Pacific power are largely declarative in nature, because they are only true in the geographical and, to a certain extent, military aspects. We do not yet possess sufficient potential to transform our intentions into reality: So far, the set of political and economic means for fundamentally changing the USSR's status in the region is extremely limited. Too long we have regarded this trend in our policy as a secondary one. It may be stated with confidence that if we are to eliminate the gap in the Pacific trend of the Soviet policy, we need, at least, to raise its significance to the European level and to boost the Soviet-American interactions in the security and economic spheres.

Ensuring security remains a top priority task in the policy of any state, and for the USSR, ensuring the global strategic and regional security at its eastern flank is a part of this task. However, today, the notion of security also implies economic stability and, consequently, the stability of all components of its own sociopolitical system.

Leaving the questions of the USSR's own political stability outside the framework of the given analysis, even though many countries consider this factor to be among decisive components of regional security, we will remark that the principal threat to the security of the USSR in the APR is in the virtually uncontrolled militarization of the relations with the United States with a particular emphasis upon the naval arms race and in the danger of the emergence of regional conflicts. Notwithstanding the

obvious interdependence, the possibilities for achieving Soviet-American accords on their settlement are dissimilar.

Both for the USSR and for the United States, the task of ensuring security consists in preventing a potential aggression and in gaining a victory if the conflict does occur. The tasks coincide in their first part, and this opens up certain possibilities for exercising control over weapons; they are in contradiction in the second part, and the trends toward a relaxation of tension are objectively undermined.

In view of the specific characteristics of siting of the American nuclear missile triad, the Pacific Ocean plays a greater role in the military strategy of the United States than in the USSR's military strategic plans. In the United States, 45 percent of all nuclear warheads are used in submarine-launched ballistic missiles [SLBM], about one-third of which are installed on strategic nuclear submarines "Ohio" deployed in the Pacific Ocean. The USSR only has one-quarter of the total quantity of nuclear warheads installed on its SLBM. Besides, a complex and ramified American system of controlling nuclear weapons is situated in the APR.

Even though the militarization level of the region is, so far, lower than that of Europe, the processes that are under way in the APR are a matter of serious concern for several reasons. First, the arms race there is almost completely uncontrolled. With the exception of strategic weapons, which are theoretically within the sphere covered by Soviet-American disarmament negotiations, all other aspects of the region's militarization are outside the sphere of the international negotiations mechanism. Second, the specific characteristics of the region determine the emphasis placed upon the increase in the quantity of naval weapons, which are not only the most expensive but also the most dangerous ones because of their potential self-sufficiency when decisions are to be made. Third, the region's political and social heterogeneity determines the complex nature of the military strategic confrontation; this is further aggravated by the emergence of serious regional conflicts.

Until recently, the only arms reductions accord, whose geographical framework involved the APR, has been the Soviet-American treaty on the elimination of medium- and shorter-range missiles. Theoretically, the accords on the reduction of strategic offensive weapons [SOW] should have also referred to Asia, but it is clear already now that the SLBM will be the last component in the triad that will be subject to reductions in the framework of Soviet-American accords.

The naval arms race between the USSR and the United States continues to be a key problem in this region, because more than 95 percent submarines equipped with nuclear weapons and about 80 percent surface warships carrying nuclear missiles, mines, and torpedoes are deployed there. Even though the USSR prevails in terms of the quantity of submarines in the Pacific theater, the

United States is far ahead in terms of large surface warships. However, in accordance with conventional estimates, the Soviet Union has sufficient forces to enable it to defend its shores from an outside attack.

If we proceed from recognizing the historically established concept of the Soviet continental and American oceanic orientations, we should rather give up the non-strategic naval arms race in the APR. If we allow ourselves to become involved in such an arms race, we will cause irreparable damage to our budget without raising our level of security.

Under the conditions of a considerable weakening of the thesis of "the Soviet military threat," the American presence in the APR, is, according to R. Cheney, the U.S. defense secretary, in line with the "national interests that determine the implementation by the United States of its policy in cooperation with its Asian friends and allies, and is not only its reaction to the policy of the USSR. The United States would have been involved in the APR affairs even if there had been no Soviet presence there, and it is precisely for this reason that it would have been erroneous to believe that we (that is to say the United States) should have reduced our involvement in the affairs of the region because of what is taking place in Europe."

Besides, as the defense secretary said, the interests of the United States are being threatened by North Korea, by possible internal changes in other countries, by India and China, which continue to be transformed into regional leaders, by territorial claims of the countries in this part of the world, and, finally, by the propagation of missile weapons and the growing potential of the region's nuclear states.<sup>2</sup>

#### The Position of the United States

It is common knowledge that, since 1985, the Soviet Union has undertaken a number of significant and unilateral cuts in its military potential in the APR. Washington's response to them was the adoption by the Pentagon, in May 1990, of the decision on a certain reduction in the U.S. military forces in the APR. Acknowledging that the American "presence in the region looks less necessary in the light of the internal changes in the USSR and prospects of the Soviet-American arms control negotiations," the document entitled "A Strategic Framework for the APR: Looking Toward the 21st Century"<sup>3</sup>

In accordance with the Pentagon plan, by 1993 (the first phase), the U.S. forces of front line deployment in the APR will be reduced by 14-15,000 men, including 7,000 in Korea (2,000 from the Air Force and 5,000 from the Army), 5-6,000 in Japan, including forces deployed in Okinawa, and about 2,000 in the Philippines. In the course of the second phase (1993-95), the realization of which will take between three and five years, further reductions in the numerical strength may be carried out, depending upon the success of the first phase. In Korea, a change in the structure of the Second Infantry Division

is planned. Japan will reinforce the qualitative parameters of its Armed Forces. The third phase (1995-2000) envisages a reduction and a stabilization in the numerical strength of the troops at a much lower level over five to 10 years, depending upon circumstances. In particular, the American Armed Forces will be reduced in Korea and in Japan, although all the necessary bases in Japan will, in all likelihood, be maintained to accommodate American deterrence forces. The American Armed Forces in Korea will only fulfill auxiliary functions.<sup>4</sup>

This decision testifies to the fact that in the APR, the United States is only ready to undertake minimal reductions and is not even ready to discuss the issue of naval weapons cuts, although this issue is the most essential one for the arms control in the region.

The official position of the Bush administration on the question of naval weapons control in Asia was expounded in the speech by R. Lehman, director of the U.S. Arms Control and Disarmament Agency, before Congress in March 1990. As he declared, "we are not interested in discussing such Soviet proposals for arms control in Asia as place an unequal burden upon the United States. We are against imposing limitations on the quantity of nuclear weapons, against reducing naval and conventional weapons, against imposing limitations on the quantity of the aircraft taking part in the maneuvers, against sending observers to watch naval maneuvers, and against creating security zones for warships and the aircraft."<sup>5</sup>

Nor can one expect that the triad's naval component will be dealt with within the framework of the Soviet-American strategic offensive arms [SOA] negotiations. As R. Larson, commander in chief of the U.S. Pacific Fleet, stated in March 1990, "the naval part of the nuclear triad composed of "Trident" submarines and D-5 missiles ensures its survival and this determines the need to maintain it in the context of any SOA accords."<sup>6</sup>

One of the most complicated problems of arms control in the APR was also discussed during the Soviet-American negotiations—the question of sea-launched cruise missiles. The USSR proposed that this question be resolved on the basis of the principle of parallel and politically binding statements that will be effective over the entire period covered by the SOA treaty and that will resolve the limitation problems in a way that may be acceptable to both sides.<sup>7</sup>

If the USSR were to follow such logic, it could not only insist on the impossibility of ground forces reduction in Europe and in Asia, but could even justify its total unwillingness to hold a dialogue on these questions. However, the logic of guaranteeing security, in addition to a horizontal (geographical) indivisibility, also has a vertical connection between types of weapons. It is

impossible to ensure an acceptable level of global security exclusively through ground forces reduction in Europe, leaving the level of naval confrontation in the ocean unchanged.

The Soviet proposals for the discussion of confidence-building measures in the region have also been rejected by the United States. On the one hand, the opinion was expressed that any confidence-building measures in the sphere of naval weapons may restrict the freedom of movement of the fleets, and, on the other hand, it is believed that, through the negotiations on confidence-building measures, the United States may become involved in a dialogue on naval arms reduction.

The answer to the question on the possibility of positive changes in arms control in the region is not simple. A number of objective factors speak in favor of negotiations. The maintenance of the United States' absolute military and political domination in the APR takes place against the background of a relative decline in American economic possibilities. The intensifying trade competition on the part of Japan and new industrial countries, the increase of nuclear "allergy" in the southern part of the Pacific Ocean, and, finally, the pressure exerted by Congress, which, under the conditions of a decreased global confrontation, will insist on reducing allocations—all of this to a certain extent weakens Washington's military, political, and economic possibilities in the APR and may in the future push the United States to adopt a more positive attitude with regard to the arms control in the region. In February 1991, the Senate Armed Forces Committee demanded from the U.S. Defense Secretary that it prepare a report on the prospects of naval arms control in such spheres as nonstrategic nuclear weapons, the achievement of a Soviet-American accord on the limitation of the quantity of nonstrategic submarines, and confidence-building measures in the naval sphere.<sup>8</sup>

#### Soviet Initiatives

Today, Soviet proposals on the expansion of confidence-building measures to the APR or on the limitation of the activity of the navy in the Pacific Ocean are considered in the United States to be unilaterally advantageous for the USSR, however, there have been no alternative proposals on the part of the Washington administration. At the same time, the reserves for drawing the United States into a serious dialogue on problems of regional security and arms reduction have not yet been fully exhausted. Even in Europe, when the Helsinki agreement was being prepared, there was no serious talk until the Soviet Union proposed such an agenda as was interesting and advantageous for all participants in the negotiations. It is worthwhile giving some thought to the creation of a similar program for the APR. The package of proposals must take into account both Soviet interests and priorities and the positions of the United States and the interests of other countries of the region. Such questions as the search for the system of crisis settlement in the region, security of sea lines of communication, and

the development of cultural and humanitarian contacts could also become a subject of discussion. The Soviet-American negotiations on the questions of security in the APR could proceed from the 1972 Soviet-American accord on the prevention of incidents on the open seas and air space above it (this, in fact, envisages notification of military maneuvers) and the Soviet-American-Japanese accord on the creation of a network of rapid communication for ensuring the security of flights of civil aircraft in the northern part of the Pacific Ocean (1985). Based on accords that must be open to signing by other countries, it is possible to elaborate a system of control over the military activity in the region.

I would also like to emphasize the importance of the negotiations between representatives of the Soviet and American Pacific fleets not only with regard to finding new forms of regulating the everyday code of behavior, but also with regard to finding professional approaches toward the elaboration of recommendations on possible ways of naval reductions.

The Soviet side must also renounce the practice of advancing such proposals on the curtailment of the naval activity in the Pacific Ocean as are purely propagandistic in character, for example, the proposal on withdrawing about 100 Soviet submarines in exchange for the United States giving up the utilization of between five and seven aircraft carriers or a simultaneous withdrawal of the USSR from its bases in Vietnam and of the United States from its bases in the Philippines. Such practice only leads to a devaluation of the serious nature of our intentions.

#### Security in the APR and Regional Conflicts

Ensuring security in the APR is most intimately connected with the settlement of regional conflicts, first and foremost, the situation around Cambodia and on the Korean Peninsula.

The conflict in Cambodia is increasingly turning from the confrontation between the USSR and the United States and between the USSR and China into a local conflict the settlement of which is still being hampered both by the inertia of confrontation and by the antagonism of the internal forces that have been nourished by it. The increase in confidence in Soviet-American relations has led to serious changes in the position of the United States with regard to the settlement in Cambodia. On 18 July 1990, after his meeting in Paris with Eduard Shevardnadze, the American Secretary of State J. Baker declared the United States' readiness to start a dialogue with Vietnam on the question of the settlement in Cambodia and on the revision of the methods of giving it aid; this was primarily meant to rule out the return of the Khmer Rouge to power. The possibility of settlement in Cambodia was directly associated with the increased role of the United Nations in world affairs.

The constructive changes that have occurred in the position of the United States on the question of settling the Cambodian conflict are associated, primarily, with

the new foreign policy course adopted by the USSR after 1986. Even though the United States and the USSR have perceived and continue to perceive the Cambodian conflict not only in terms of their own positions in Indochina and Southeast Asia, but also look on it as an element of global policy, including the American-Soviet confrontation and their specific relations with China, the new political thinking has markedly lowered the significance of the political stereotypes that were typical of the "cold war." As THE NEW YORK TIMES wrote, "the changes that have taken place in the policy of the Bush administration with regard to Cambodia are the most recent evidence of how the warming up in Soviet-American relations has transformed the approach by the two superpowers to regional conflicts. Both sides can now revise their interests in remote parts of the world where, for 40 years, they have felt the need of intervention for the sole reason that they saw in this a possibility to deprive the other side of superiority. Today, when the struggle against the USSR is on the decline, the competition between the USSR and the United States is no longer a permanent 'compass' for taking sides in regional conflicts."<sup>9</sup>

The Soviet-American negotiations aimed at a relaxation of tension on the Korean peninsula could become an important stage in the creation of a mechanism for arms control in the APR. Neither the USSR nor the United States are interested in the emergence of a conflict situation in Korea, and any steps directed toward preventing such a development of the situation may become the subject of dialogue during the summit. We could discuss such problems as the reduction of various forms of military activity of the USSR and the United States in the area of the Korean peninsula, including mutual restraint in the supply of offensive types of weapons and concluding accords on the measures for renouncing support for any form of aggression on the peninsula.

After the establishment of diplomatic relations between Moscow and Seoul, a more active American policy with regard to the Democratic People's Republic of Korea [DPRK] may be expected. Since 1988, when the Roh Tae Woo declaration on the relations between the North and the South was made public, American diplomats have met in Beijing with representatives of the DPRK more than ten times. However, the results of the dialogue turned out to be insignificant, even though the North clearly gave to understand that it would like to raise the level of the negotiations. The United States made the resolution of this question dependent upon the progress in specific spheres of relations and primarily upon the adoption by Pyongyang of the International Atomic Energy Agency [IAEA] rules of control over nuclear facilities. As A. Romberg, an American scientist, believes, the United States could even now undertake a number of steps toward normalizing bilateral relations. In particular, without waiting for particular changes in the policy of the DPRK, the United States could try to reach an accord with Pyongyang to the effect that normalization in their relations is not at variance with

Korean unification. Confirming its obligations with regard to the South, the United States might also promise that it would not support aggression against the North, and the North would make a similar statement with regard to the South. The United States might confirm its readiness to withdraw all its troops from Korea as soon as the relations between the North and the South allowed it to do so; this might be done simultaneously with the signing of an agreement between Seoul and Washington on the curtailment of the American military presence, depending upon the relaxation of tension between the North and the South.

"Such an approach will open up wonderful prospects for resolving the most important task of preventing the development of a possible North Korean nuclear program. At the same time, North Korea will be offered a chance to return to the world community; the American commitments with regard to South Korea will be confirmed, emphasis will be placed upon progress in the relations between the North and the South as an indispensable condition for the reduction in American troops, and it will be stressed that the question of such reductions must be tackled between Washington and Seoul and not Pyongyang. Moreover, this will clearly show both the South and the North that the United States is not against their unification," proposes A. Romberg.<sup>10</sup>

The United States is seriously concerned about problems of nuclear and missile nonproliferation in the APR and sees the main threat to the nonproliferation regime as issuing from India and Pakistan, which are not participants in the Nuclear Nonproliferation Treaty, and the DPRK, which, although it ratified the treaty in 1985, does not allow IAEA observers to inspect its nuclear facilities. An important incentive for the lowering of tension in southern Asia could be the readiness of Moscow and Washington to cooperate for the cause of preventing the proliferation of nuclear and missile weapons, including questions of control over weapons export in the region. The question of admitting the IAEA inspectors' team to the DPRK nuclear facilities was already the subject of Soviet-American discussions and will, most likely, be raised again by the American side. The possibilities of the USSR in influencing Pyongyang in the final solution to this question could, among other things, be tied to a demonstration by the USSR of its striving to convince the United States to determine possible terms for withdrawing its nuclear weapons from Korea.

As the Persian Gulf War has shown, the problem of arms exports is becoming an important problem of maintaining stability. Both the United States and the Soviet Union (and, after all, the PRC, as well) have their own clients in the region, and it is, perhaps, time to work toward achieving Soviet-American accords on arms exports control. To begin with, both countries could stop supplying any types of offensive weapons.



### The Far East and Foreign Investments

Without our participation in the system of economic ties that is taking shape in the region the turn "toward the Pacific Ocean" that was proclaimed in Vladivostok and Krasnoyarsk will remain a bare political scheme. The actual collapse of the state program for the development of this region has clearly shown that, at the moment, we can hardly count upon central financing. This problem could be resolved, first and foremost, with the help of internal resources of the Far Eastern areas and by way of expanding various forms of foreign economic cooperation, in which the United States may also play a significant role.

If we really want to achieve revolutionary changes in the economic situation of our Far East, it is necessary to think, in the first place, about the creation of a favorable investment climate in this region, because few investors would risk investing in the economy of our Far East under the conditions that exist there today. What I mean here is not only the creation of an elementary infrastructure for foreign economic activity—hotels, restaurants, or means of communication; the people there must be allowed to take decisions independently. Even using the infrastructure and the industrial, agricultural, and resources base that already exist in the Far East, it is possible to attract foreign capital, but this will only be possible if the local economic manager or representative of Soviet power has a free hand and does not need to turn to Moscow for any decision. The upper limit of the volume of the deal that does not require consent from central organs must become a regulator for dividing the prerogatives between the local and central authorities. Such a limit must be established on a yearly basis.

When we think of attracting foreign partners to contribute to the economic development of our Far East, we almost invariably think in categories of grandiose projects that will help us to create modern industry and will give us access to the most advanced technology. Whether consciously or not, we tend to idealize the capitalist entrepreneur: In the situation that exists today few people will venture a major project involving large investments unless the deal promises them clear advantages. Today, in the Far East, cheap manpower, enterprise, certain types of raw materials, and the readiness for cooperation may become our initial capital for joint economic activity. Only by going ahead in dealing with our foreign partners, can we forecast paths of development of joint entrepreneurship. If, instead of indulging in hare-brained schemes and empty disputes between departments and executive committees on where the special economic zone must be situated, people could start independently attracting investments and organizing joint ventures, these zones would emerge in a natural way and not by the decision of the Moscow authorities.

On the other hand, many people, by force of tradition, see an insidious enemy and robber in the Western entrepreneur. One should not think that the imperialists

have nothing better to do than devise plans on how to rob our Far East. If some of them are still cherishing such a dubious and, which is the main thing, not quite profitable hope, then, frankly speaking, they will have to face difficult competition. We have managed, completely on our own, because nobody in the Far East can refer to the damage caused by the war that ended 45 years ago, to cause such damage to everything associated with the human environment—the economy, ecology, and social relations—as hardly any colonial powers have ever been responsible for. However distressing this may sound, it must be admitted that, today, with our own efforts alone, we are unable to give that impetus to the economy of the Far East that the whole country needs in order to gain a strong foothold in the APR. Remaining on the positions of those xenophobes or pseudopatriots who continue to talk about the nonexistent attempts to sell ourselves into "bondage to imperialism" would only mean conservation of the stagnation of the economic structure that exists in the Soviet Far East.

If foreign entrepreneurs come to the Far East with their investments, this will not by any means be for altruistic reasons, but for the purpose of getting profit and of creating, in the future, of a market for selling their goods and purchasing raw materials. Besides, although we have always seen our sales of raw materials as a determining factor in the interest of our partners who want to maintain economic ties with us in the Far East, today, it is time for us to give up such an orientation. The experience of our economic ties with Japan has shown quite graphically that the exclusively raw materials orientation of our export does not lead to any appreciable economic development of the region that supplies these raw materials. Among other things, the role of raw materials has considerably decreased for our potential partners in the APR, and this has naturally affected the prices.

For the USSR, the prospects of becoming a country that plays in the APR a role equal to its geographical situation and military power, are most directly associated with the development of the economic potential of Eastern Siberia and the Far East; Soviet-American regional cooperation could play a major role here. Until recently, our frequently declared striving to boost the foreign economic and domestic economic development of the Far East has remained pure propaganda. To this day, no comprehensive program for the economic development of the region has been created, and all our attempts to develop trade and economic ties with Pacific countries have been sporadic and unsystematic in character. Moreover, the situation has only been changing for the worse, since, following the scandal in connection with the attempts to export military technology via a semi-state cooperative [a possible allusion to the activities of the Automation, Science, and Technology Interbranch State Cooperative Concern, or ANT Concern], the state has been trying to centralize these ties as much as possible with the help of all-embracing licensing, something that, in the final analysis, will lead to the implementation of a



prohibitive policy. Hence the stagnation of foreign economic ties and the quite low rates of the economic development of our Far East.

We could emerge from the deadlock by adopting a revolutionary decision to grant to the Far East a special economic status that will enable it to exercise a certain autonomy in the development of foreign economic ties, an autonomy based upon serious scientific elaboration. The forms of such activity must be varied and diverse, but western areas of the United States and Japan, as well as China and Korea may become the USSR's natural and major economic partners in the Far East.

In his first interview after the election to the post of chairman of the Russian Supreme Soviet, Boris Yeltsin emphasized, in particular, the significance of Pacific problems for the future policy of Russia, which is acquiring its sovereignty. Today, it is still difficult to predict the correlation and interaction between the Union and republican foreign policies, but it is clear that if the aspiration of Russia to formulate its own foreign policy is implemented in practice, it is precisely the Asian-Pacific Region that is a natural partner of the Far East, the boundaries of which are open to the Pacific Ocean.

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